

A G E N D A

SOUTH CAROLINA WORKERS' COMPENSATION COMMISSION

1333 Main Street, 5th Floor
Columbia, South Carolina 29201

March 21, 2011 – 10:30 a.m.

Commission Hearing Room A

This meeting agenda was posted prior to the meeting, and proper advance notice was made to all concerned parties in compliance with requirements in the Freedom of Information Act.

BUSINESS MEETING

- | | | |
|----|---|--|
| 1. | APPROVAL OF AGENDA OF BUSINESS MEETING
of March 21, 2011 | CHAIRMAN BECK |
| 2. | APPROVAL OF MINUTES OF BUSINESS MEETING
of February 22, 2011 (Tab 1) | CHAIRMAN BECK |
| 3. | GENERAL ANNOUNCEMENTS | MR. CANNON |
| 4. | APPLICATIONS FOR APPROVAL TO SELF-INSURE (Tab 2) | MR. SMITH |
| 5. | DEPARTMENT DIRECTORS' REPORTS

Administration – Financial Report (Tab 3)
Human Resources (Tab 4)
Information Services (Tab 5)
Insurance & Medical Services (Tab 6)
Claims (Tab 7)
Judicial (Tab 8) | MS. GANTT
MS. FLOYD
MS. HARTMAN
MR. CANNON
MR. LINE
MS. CROCKER |
| 6. | EXECUTIVE DIRECTOR'S REPORT (Tab 9)
A. Fines and Assessments Report (Tab 10)
B. H 3653 and H 3111 (Tab 11) | MR. CANNON |
| 7. | NEW BUSINESS
A. Repackaged Pharmaceuticals (12) | CHAIRMAN BECK
Mr. Cannon |
| 8. | EXECUTIVE SESSION
A. Personnel Matter | CHAIRMAN BECK |
| 9. | ADJOURNMENT | CHAIRMAN BECK |

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THE
SOUTH CAROLINA WORKERS' COMPENSATION COMMISSION
BUSINESS MEETING

Tuesday, February 22, 2011

A Business Meeting of the South Carolina Workers' Compensation Commission was held in Hearing Room A of the Workers' Compensation Commission on Tuesday, February 22, 2011 at 10:30 a.m. The meeting agenda was posted prior to the meeting and proper advance notice was made to all concerned parties in compliance with requirements in the Freedom of Information Act. The following Commissioners were present at the meeting:

T. SCOTT BECK, INTERIM CHAIRMAN
SUSAN S. BARDEN, VICE CHAIR
DAVID W. HUFFSTETLER, COMMISSIONER
G. BRYAN LYNDON, COMMISSIONER
ANDREA C. ROCHE, COMMISSIONER
AVERY B. WILKERSON, JR., COMMISSIONER
DERRICK L. WILLIAMS, COMMISSIONER

Present also were Gary M. Cannon, Executive Director; W.C. Smith, Self-Insurance Director; Amanda Underhill, Senior Application Analyst; Duane Earles, Project Manager; Wayne Ducote, Coverage Director; Diana Gantt, Accounting/Fiscal Manager; Cathy Floyd, Human Resources Manager; and SCWCC Employee Advisory Committee: Juliet Bush, Mario Glisson, Michael Felton, Valerie Deller, and Barbara Cheeseboro. Visitors present were Clara Smith and Mark Arden, South Carolina Injured Workers Advocates; and Ann Margaret McCraw, Midlands Orthopaedics/SC Orthopaedic Association.

Chairman Beck called the meeting to order at 10:45 a.m.

AGENDA

Commissioner Barden moved that the February 22, 2011 agenda be approved. Commissioner Williams seconded the motion, and the motion was approved.

APPROVAL OF MINUTES - BUSINESS MEETING OF JANUARY 18, 2011

Commissioner Roche moved that the minutes of the Business Meeting of January 18, 2011 be approved. Commissioner Williams seconded the motion, and the motion was approved.

APPROVAL OF MINUTES - BUSINESS MEETING OF FEBRUARY 4, 2011

Commissioner Lyndon moved that the minutes of the Business Meeting of February 4, 2011 be approved. Commissioner Roche seconded the motion, and the motion was approved.

GENERAL ANNOUNCEMENTS

There were no general announcements.

APPLICATIONS FOR APPROVAL TO SELF-INSURE

Self-insurance applications were presented by W.C. Smith, Self-Insurance Director. Ten (10) prospective members of four (4) funds were presented to the Commission for approval. The applications were:

Palmetto Timber SIF

Salkehatchee Saw Milling, Inc.

SC Automobile Dealers Association SIF

Jim Hudson Ford

SC Home Builders SIF

ACA Contracting, Inc.

Capital Services Group, Inc.

David J Greene Masonry Contracting, Inc.

Extreme Concrete Pumping, LLC

Scott Timm – Timm Companies

Sunburst of Bluffton

SC McDonalds Operators Self Insurers Fund

Arch Enterprises, LLC dba McDonalds Restaurant

Valdes Enterprises, LLC dba McDonalds Restaurant

After examination of the applications, it was determined that each complied with the Commission's requirements and each was recommended for approval. Commissioner Wilkerson made the motion to approve the applications to self-insure and Commissioner Williams seconded the motion. The motion was unanimously approved.

Mr. Smith presented a request from Alex Lee, Inc. to self-insure. Alex Lee, Inc. is headquartered in Hickory, North Carolina and is the parent company and 100% owner of subsidiaries Merchants Distribution, Inc., Lowes Food Stores, Inc., and Institution Food Stores, Inc. Alex Lee, Inc. and its subsidiaries are currently self-insured for workers' compensation in North Carolina. The company is commercially insured in South Carolina with Fidelity and Guaranty Insurance Company.

Mr. Smith presented the recommendation that Alex Lee, Inc. and its subsidiaries be granted the privilege of self-insuring its workers' compensation liabilities contingent on the following:

1. Alex Lee, Inc. secure specific excess insurance with an initial retention of not more than \$500,000 and a statutory limit of liability;
2. Alex Lee, Inc. provide the Commission a surety bond or letter-of-credit in the amount of \$800,000; and
3. Alex Lee, Inc. provide the Commission a corporate guaranty for each subsidiary.

Commissioner Wilkerson made the motion to approve the recommendation. Commissioner Huffstetler seconded the motion. The motion was unanimously approved.

DEPARTMENT DIRECTORS' REPORTS

The Department Directors presented their reports which were also submitted to the Commission in written form.

Administration Department

Diana Gantt presented the financial report for the one-month period ending January 31, 2011. There were no unusual activities to report for the month of January. The benchmark for January is 58.33%. The Commission's revenues are at 64.75% and overall expenses are at 53.4%.

Gary Cannon reported that work continues on the analysis of quarterly fine collection assessments. He will provide a report by the next Full Commission meeting.

Human Resources Department

Cathy Floyd presented the Human Resources report for the one-month period ending January 31, 2011. Commissioner Huffstetler asked about the status of employee performance appraisals. Ms. Floyd stated that appraisals are due October 1, with the exception of probationary employees. Quarterly EPMS reminders have been issued to all supervisors to ensure everyone has completed the planning stage and is conducting continuous feedback throughout the review process. Commissioner Roche stated that the Commissioners need to receive the reminder as well since they have the responsibility of evaluating their administrative assistants. Ms. Floyd stated she would follow-up to ensure the reviews are complete.

Information Services

Amanda Underhill presented the Information Services Department's report. The number of eCase queries continues to increase due to new features added which allow TPAs and attorneys to add representation electronically as well as search for claims information. Ms. Underhill stated that the one-year anniversary of sending out hearing notices electronically is coming up, and the numbers indicate significant savings. She reported a cost of \$13,900 in postage for Commissioners' offices August 2009 through January 2010 compared to a cost of \$4,500 in postage for Commissioners' offices August 2010 through January 2011. A \$9,000 difference in cost of postage after implementing electronic hearing notices. The monthly average cost in postage for Commissioners' offices decreased from \$2,200 to \$750.

Commissioner Huffstetler referred to the chart entitled Mail Cost and Piece Count for Commissioners and Judicial, and asked why the increase in Judicial Piece Count. Ms. Underhill will research the information and report to the Commissioners.

Insurance & Medical Services

Gary Cannon presented the Insurance and Medical Services Department's report. Mr. Cannon announced Al McCutcheon, Director of Insurance and Medical Services, has tendered his resignation and retirement effective April 22, 2011. Recruiting has begun for the Director of Insurance and Medical Services position. In the meantime, Mr. Cannon will be the Interim Director.

Claims Department

Greg Line presented the Claims Department's report. The fines assessed and collected increased slightly in January. Overall the fines and collections remain consistent.

Judicial Department

Virginia Crocker presented the Judicial Department's report. Ms. Crocker referred to Commissioner Huffstetler's question earlier regarding the increase in Judicial Piece Count. She said that Judicial also includes Informal Conferences, and hearings were reset on two different dates due to inclement weather. Informal Notices have been sent to insurance carriers electronically and hardcopy, but just recently that process has been changed to electronic.

EXECUTIVE DIRECTOR'S REPORT

The Executive Director presented his report which was also submitted to the Commission in written form.

Mr. Cannon recognized Cathy Floyd, Human Resource Manager, for earning certification from the HR Certification Institute as a Senior Professional in Human Resources (SPHR). Commissioners expressed congratulations to Ms. Floyd.

Mr. Cannon announced that South Carolina Workers' Compensation Commission achieved 100% of the Affirmative Action Goals for FY 2010.

Chairman Beck noted an increase in the number of communications with constituents in the Executive Director's Office. Mr. Cannon stated the increase was primarily in emails.

Mr. Cannon reported that he, Chairman Beck, and Dianna Gantt, Director of Finance, met with the House Ways and Means Committee, Transportation and Regulatory Subcommittee, on January 26, 2011 to present the SCWCC 2011-2012 Proposed Budget.

Mr. Cannon reported that meetings and discussions continue with SC Department of Vocational Rehabilitation on strategies for developing and implementing a plan for referring workers' compensation claimants to their department.

Mr. Cannon reported that requests are being received from special interest groups for training on eCase. In February Amanda Underhill conducted training sessions at two claims administration offices in the Charlotte area and at Collins and Lacy Law Firm.

OLD BUSINESS

A. TTD and TPD Payments Direct Deposit

Mr. Cannon said that he has been in communication with Johnnie Baxley, attorney for Walmart, regarding their request to initiate a pilot program in South Carolina to make payments for TTD and TPD to their employees receiving workers' compensation benefits via direct deposit to checking accounts. Review of the SC Code Title 36 resulted in a preliminary determination that in order to implement this practice it would require an amendment to Regulation R.67-1602(D). Mr. Cannon has contacted Eleanor Cleary, legal counsel, for further research.

B. Medical Services Provider Manual Update/Changes

Mr. Cannon stated pursuant to R.67-1302(A), "Commission shall establish maximum allowable payments for medical services provided by medical practitioners based on a relative value scale and a conversion factor set by the Commission." He said there has been discussion about the various models that the Commission may want to adopt in changing from the current payment method with a single conversion factor to using multiple conversion factors calculating the Maximum Allowable Payment for medical services as provided in the Commission's Medical Services Provider Manual, as well as adopting the State Health Plan rates. He said the language in R.67-1302(A) may prevent the Commission from adopting the State Health Plan rates for the Medical Services Provider Manual fee schedule without making a change to the regulation. A change in regulation requires a notice of drafting, opportunity for public comment, and a public hearing. After the agency has adopted the regulation it must be submitted to the General Assembly for approval. The General Assembly has 120 days to consider a regulation.

Following discussion, Commissioner Wilkerson made the motion to proceed forward with changing the language in R.67-1302(A). Commissioner Huffstetler said he could second the motion if the word "changing" was "reviewing." Commissioner Wilkerson agreed with Commissioner Huffstetler's suggestion to change the word "changing" to "reviewing."

Following more discussion, Commissioner Wilkerson withdrew his motion.

Commissioner Wilkerson made a motion to direct staff to initiate the process to publicize the notice of intent to draft changes to R.67-1302(A). The intent of drafting the regulation will be to remove the phrase related to the relative value scale and the conversion factor. Commissioner Huffstetler seconded the motion, and the motion was approved.

NEW BUSINESS

A. Employee Dress Code Policy

Cathy Floyd recognized members of the Employee Advisory Committee: Michael Felton, Valerie Deller, Barbara Cheeseboro, Mario Glisson, Juliet Bush, and Amanda Underhill. Commissioners expressed appreciation for their service on the Committee.

Ms. Floyd distributed to each Commissioner a copy of the Table of Contents from the Administrative Policies and Procedures Manual. On behalf of the Employee Advisory Committee, Ms. Floyd presented the proposed Dress Code Policy. The proposed policy is expanded from one paragraph to a more detailed explanation of appropriate versus inappropriate attire. A category for Monday through Thursday Attire and a category for Friday Attire has been added to provide examples of appropriate versus inappropriate dress. A category for Supervisor Attire has been added requiring business dress for all supervisors Monday through Thursday, and male supervisors to wear appropriate neckwear October 1 through March 31. The proposed Policy provides direction to supervisors to ensure compliance with the Commission's Dress Code Policy. Within the Compliance category sections have been added for medical waivers and work related

wavers from the policy for a specific period of time.

Following discussion Commissioner Barden moved to amend the policy such that the policy is confined to normal business hours. Commissioner Williams seconded the motion.

Following discussion Commissioner Roche moved to amend the policy to allow casual dress for Friday attire with exception if staff member is meeting with the public or attending meetings outside the office. Commissioner Williams seconded the motion.

Chairman Beck moved to amend the policy to exclude denim and blue jeans on Friday attire. Commissioner Lyndon seconded the motion.

Commissioner Williams moved to amend the policy to reflect business appropriate dress Monday through Friday. Commissioner Barden seconded the motion.

Chairman Beck moved to carry the discussion over. Commissioner Barden seconded the motion, and the motion carried.

B. Employee of the Year Policy

On behalf of the Employee Advisory Committee, Cathy Floyd presented the proposed Employee of the Year Policy. In the proposed policy the employee of the quarter is eliminated and the program year changed to run in conjunction with the Employee Appreciation Event, June 1 through May 31. If the policy is adopted the Committee requests that the date for nominations to be submitted be extended from February 15 to March 15 for 2011 only. The proposed policy includes a Selection Committee comprised of three non-commission employees appointed by the Executive Director.

Following discussion, Commissioner Roche moved to adopt the proposed Employee of the Year Policy. Commissioner Williams seconded the motion, and the motion carried.

C. Internet Technology Replacement Program

Gary Cannon said that at the June 17, 2010 Business Meeting the Commission authorized the expenditure of \$59,726 for the purchase of eleven laptops, seven workstations, and software upgrades. He reported a balance of \$53,181 in the Computer Service Carry Forward Fund. The current server is approximately five years old and nearing end of life based on industry standards. Both Production and Development application and databases reside on the same server, therefore DSIT has not been able to apply upgrades to the operating system.

Mr. Cannon presented a recommendation that the Commission approve the purchase of one new SQL Server, retaining the existing SQL server for development and backup, and 28 workstations for a total amount of \$52,377. The total recurring annual cost for licensing and maintenance of the additional SQL Server is estimated to be \$9,666 more than the current annual recurring cost. The expenditure will be taken from the Computer Services Carry Forward Fund.

Commissioner Williams made a motion to accept the recommendation. Commissioner Wilkerson seconded the motion, and the motion carried.

ADJOURNMENT

Commissioner Williams made the motion to adjourn. Commissioner Lyndon seconded the motion, and the motion was approved.

The February 22, 2011 meeting of the South Carolina Workers' Compensation Commission adjourned at 12:04 p.m.

Reported March 2, 2011

Kim Ballentine, Office of the Executive Director

State of South Carolina

1333 Main Street, Suite 500
P.O. Box 1715
Columbia, S.C. 29202-1715



Tel: (803) 737-5700
Fax: (803) 737-1258
www.wcc.sc.gov

Workers' Compensation Commission

March 21, 2011

MEMORANDUM

To: Commissioners
Gary Cannon
Executive Director

From: W. C. Smith, III, CPCU, ARM
Director, Self-Insurance *WCS*

Date: March 21, 2011

Subject: Applications to Self-Insure

We have received the following applications for 6 prospective members of 2 funds.

New Applicants: Palmetto Timber Fund
Massey logging Inc

SC Home Builders SIF
Carter Bignon Fine Home Builder
Half Moon Contractors
Michael Sturkie
Peter Kleppe
Thomas C. Price dba Price Construction

After examination of the various applications, it has been determined that each has complied with the Commissioners requirements and each is recommended for approval.

WCS/cb

INTEROFFICE MEMORANDUM

TO: GARY CANNON, EXECUTIVE DIRECTOR
FROM: DIANA GANTT, DIRECTOR OF ADMINISTRATION
SUBJECT: FINANCIAL REPORT PERIOD ENDING FEBRUARY 28, 2011
DATE: 3/14/2011

The finance report for the one month period ending February 28, 2011, is attached.

- February is the 8th Fiscal Month of FY11.
- There were 53 payments made to vendors, travelers, and other State Agencies.
- The benchmark for February is 66.67%. The Commission's revenues are at 68.17% and expenses are at 60.1%.
- The following is a summary of each department expenditure benchmarks:

General Fund: Total Expenses are at 67%.

Earmark Fund:

Commissioners –

- Fall below the benchmark in all areas with total expenditures being at 52%.

Administration –

- Overall the expenditures fall at 60%.
- **Salaries** are up 2% due to a temporary employees being hired at the beginning of the fiscal year.
- **Equipment Data Processing** is high due to the one time purchase of computers.

Claims –

- Expenditures fall below the benchmark at 65%.
- **Contract Services** are up due to services that have been received (temp employee).
- **Supplies & Materials** fall over the benchmark due to the amount of items that has been purchased.
- **Travel** is over due to employee travel for Informal Conferences.

Insurance & Medical –

- Total Expenses are at 65%.
- **Contractual Services** are up due to onetime payments that have already been paid for the year.
- **Travel** is substantially over the benchmark due to employee travel for Informal Conferences.

Judicial –

- Total expenditures are below the benchmark at 62%.

Activity Report from the Procurement Office:

SCEIS Shopping Carts	0	Staples Orders Placed	3
Vendors Contacted for Price Quotes	10	State Leased Vehicles taken for Service	3
Visa Procurement Card Orders Placed	5	State Reports filed by Procurement Officer	1
SC Dept of Corrections Orders Placed	0		

Mail Room Activity:

Files Copied for Outside Parties	221
See attached Mail Summary	

South Carolina Workers' Compensation Commission
Summary of Revenues and Expenditures
2010 - 2011 Budget
February 28, 2011

	Budget	FY To Date	Benchmark	66.67%
STATE APPROPRIATIONS				
General Appropriation	<u>\$ 1,919,955</u>	<u>\$ 1,279,970</u>		66.67%

Account Description	Appropriation	Expenditure	Balance	% Expended
Personal Services	\$ 1,471,636	\$ 987,627	\$ 484,009	67.1%
Other Operating Expenses	-	-	-	0.0%
Employer Contribution	448,319	298,763	149,556	66.6%
Total	<u>\$ 1,919,955</u>	<u>\$ 1,286,390</u>	<u>\$ 633,565</u>	<u>67.0%</u>

OTHER APPROPRIATIONS

EARMARKED

	Budgeted Revenues	Received thru 2/28/11	% Received
Training Conference Registration Fee	\$ 1,000	\$ 2,430	243.00%
Sale of Publication and Brochures	8,000	18,063	225.79%
Workers' Comp Award Review Fee	75,000	51,600	68.80%
Sale of Photocopies	95,000	65,137	68.57%
Workers' Compensation Filing Violation Fee	1,891,000	1,406,213	74.36%
Sale of Listings and Labels	30,000	31,317	104.39%
Workers' Comp Hearing Fee	600,000	265,780	44.30%
Earmarked Funds - Original Authorization	\$ 2,700,000	\$ 1,840,540	68.17%
BD100 to Increase Authorization - July 2010	356,315		
BD100 to Increase Authorization - July 2010 (PC's)	62,500		
Total Earmarked Revenues + Fund Balance	<u>\$ 3,118,815</u>		

Account Description	Appropriation	Expenditure	Balance	% Expended
Personal Services	\$ 1,249,153	\$ 827,056	\$ 422,097	66.2%
Taxable Subsistence	80,000	42,964	37,036	53.7%
Other Operating Expenses	1,414,662	789,195	625,467	55.8%
Employer Contribution	375,000	278,358	96,642	74.2%
Total Earmarked	<u>\$ 3,118,815</u>	<u>\$ 1,937,573</u>	<u>\$ 1,181,242</u>	<u>62.1%</u>

COMPUTER FUNDS CARRIED FORWARD

	<u>\$ 54,761</u>			
Computer Services - Carry forward	<u>\$ 54,761</u>	<u>\$ 1,580</u>	<u>\$ 53,181</u>	<u>2.9%</u>
TOTAL OTHER APPROPRIATIONS	<u>\$ 3,228,337</u>	<u>\$ 1,939,153</u>	<u>\$ 1,234,423</u>	<u>60.1%</u>

South Carolina Workers' Compensation Commission

2010 - 2011 Budget

February 28, 2011

Consolidated

Year-To-Date : 66.67%

	Original Budget	Budget Amendments	Amended Budget	Expended January	Year to Date	%	Encumb	Balance
Commissioners								
Salaries	\$ 1,150,244	\$ -	\$ 1,150,244	\$ 91,010	\$ 756,460	66%	\$ -	\$ 393,784
Other Operating Expenditures								
Total Contractual Services	247,935	-	247,935	11,984	116,883	47%	-	131,052
Total Supplies & Materials	36,313	-	36,313	2,879	13,050	36%	-	23,263
Total Fixed Charges	159,652	-	159,652	11,267	94,882	59%	-	64,770
Total Travel	87,650	-	87,650	5,860	50,755	58%	-	36,895
Total Other Operating Exp	531,550	-	531,550	31,990	275,570	52%	-	255,980
Total Commissioners	\$ 1,681,794	\$ -	\$ 1,681,794	\$ 122,999	\$ 1,032,029	61%	\$ -	\$ 649,765
Administration								
Salaries	\$ 444,858	\$ -	\$ 444,858	\$ 37,765	\$ 301,066	68%	\$ -	\$ 143,792
Other Operating Expenditures								
Total Contractual Services	254,874	(5,000)	249,874	13,065	133,279	53%	-	116,595
Total Supplies & Materials	26,038	4,900	30,938	509	10,599	34%	-	20,339
Total Fixed Charges	135,600	100	135,700	9,269	76,769	57%	-	58,931
Total Travel	12,521	-	12,521	1,166	6,548	52%	-	5,973
Total Equipment	35,000	-	35,000	690	31,953	91%	3,047	(0)
Total Other Operating Exp	464,033	-	464,033	24,700	259,148	56%	3,047	201,838
Total Administration	\$ 908,891	\$ -	\$ 908,891	\$ 62,464	\$ 560,214	62%	\$ 3,047	\$ 345,630
Claims								
Salaries	\$ 361,417	\$ -	\$ 361,417	\$ 30,414	\$ 240,061	66%	\$ -	\$ 121,356
Other Operating Expenditures								
Total Contractual Services	47,405	-	47,405	3,183	32,970	70%	-	14,435
Total Supplies & Materials	22,138	-	22,138	3,726	18,924	85%	-	3,214
Total Fixed Charges	78,689	-	78,689	5,653	47,518	60%	-	31,171
Total Travel	1,750	-	1,750	161	1,209	69%	-	541
Total Other Operating Exp	149,982	-	149,982	12,723	100,622	67%	-	49,360
Total Claims	\$ 511,399	\$ -	\$ 511,399	\$ 43,137	\$ 340,683	67%	\$ -	\$ 170,716
Insurance and Medical Services								
Salaries	\$ 460,408	\$ -	\$ 460,408	\$ 38,138	\$ 305,840	66%	\$ -	\$ 154,568
Other Operating Expenditures								
Total Contractual Services	37,701	-	37,701	3,730	32,825	87%	-	4,876
Total Supplies & Materials	33,500	-	33,500	152	8,531	25%	-	24,969
Total Fixed Charges	62,220	-	62,220	4,201	36,456	59%	-	25,764
Total Travel	258	-	258	300	1,029	399%	-	(771)
Total Other Operating Exp	133,679	-	133,679	8,384	78,841	59%	-	54,838
Total Insurance and Medical Services	\$ 594,087	\$ -	\$ 594,087	\$ 46,522	\$ 384,681	65%	\$ -	\$ 209,406
Judicial								
Salaries	\$ 383,862	\$ -	\$ 383,862	\$ 30,188	\$ 254,220	66%	\$ -	\$ 129,642
Other Operating Expenditures								
Total Contractual Services	43,078	-	43,078	2,120	16,862	39%	-	26,216
Total Supplies & Materials	22,024	-	22,024	2,798	11,838	54%	-	10,186
Total Fixed Charges	66,966	-	66,966	5,142	41,057	61%	-	25,909
Total Travel	3,350	-	3,350	123	2,211	66%	-	1,139
Total Other Operating Exp	135,418	-	135,418	10,182	71,968	53%	-	63,450
Total Judicial	\$ 519,280	\$ -	\$ 519,280	\$ 40,370	\$ 326,188	63%	\$ -	\$ 193,092
Totals By Departments								
Department Totals								
Commissioners	\$ 1,681,794	\$ -	\$ 1,681,794	\$ 122,999	\$ 1,032,029	61%	\$ -	\$ 649,765
Administration	908,891	-	908,891	62,464	560,214	62%	3,047	345,630
Claims	511,399	-	511,399	43,137	340,683	67%	-	170,716
Insurance & Medical	594,087	-	594,087	46,522	384,681	65%	-	209,406
Judicial	519,280	-	519,280	40,370	326,188	63%	-	193,092
Total Departmental Exp	\$ 4,215,451	\$ -	\$ 4,215,451	\$ 315,492	\$ 2,643,795	63%	\$ 3,047	\$ 1,568,609
Employer Contributions	823,319	-	823,319	67,907	577,121	70%	-	246,198
Total General & Earmarked Funds	\$ 5,038,770	\$ -	\$ 5,038,770	\$ 383,399	\$ 3,220,916	64%	\$ 3,047	\$ 1,814,807

South Carolina Workers' Compensation Commission
2010 - 2011 Budget
February 28, 2011

General Appropriation

			Year-To-Date : 66.67%					
	Original Budget	Budget Amendments	Amended Budget	Expended February	Year to Date to Date	%	Encumb	Balance
Commissioners								
Salaries								
Chairman	\$ 115,567	\$ -	\$ 115,567	\$ 9,231	\$ 74,208	64%	\$ -	\$ 41,359
Commissioner	664,602	-	664,602	55,783	445,904	67%	-	218,698
Classified Employees	290,075	-	290,075	24,173	193,383	67%	-	96,692
Total Commissioners	1,070,244	-	1,070,244	89,187	713,496	67%	-	356,748
Administration								
Salaries								
Director	\$ 94,152	\$ -	\$ 94,152	\$ 7,846	\$ 62,768	67%	\$ -	\$ 31,384
Classified Positions	132,206	-	132,206	11,449	87,851	66%	-	44,355
Total Administration	226,358	-	226,358	19,295	150,619	67%	-	75,739
Claims								
Salaries								
Classified Positions	\$ 55,417	\$ -	\$ 55,417	\$ 5,583	\$ 43,701	79%	\$ -	\$ 11,716
Total Claims	55,417	-	55,417	5,583	43,701	79%	-	11,716
Insurance and Medical Services								
Salaries								
Classified Positions	\$ 57,755	\$ -	\$ 57,755	\$ 4,821	\$ 38,570	67%	\$ -	\$ 19,185
Total Ins and Medical Svcs	57,755	-	57,755	4,821	38,570	67%	-	19,185
Judicial								
Salaries								
Classified Positions	\$ 61,862	\$ -	\$ 61,862	\$ 5,155	\$ 41,241	67%	\$ -	\$ 20,621
Total Judicial	61,862	-	61,862	5,155	41,241	67%	-	20,621
General Funds								
Department Totals								
Commissioners	\$ 1,070,244	\$ -	\$ 1,070,244	\$ 89,187	\$ 713,496	67%	\$ -	\$ 356,748
Administration	226,358	-	226,358	19,295	150,619	67%	-	75,739
Claims	55,417	-	55,417	5,583	43,701	79%	-	11,716
Insurance & Medical	57,755	-	57,755	4,821	38,570	67%	-	19,185
Judicial	61,862	-	61,862	5,155	41,241	67%	-	20,621
Total Departmental Expend	\$ 1,471,636	\$ -	\$ 1,471,636	\$ 124,041	\$ 987,627	67%	\$ -	\$ 484,009
Employer Contributions	448,319	-	448,319	36,422	298,763	67%	-	149,556
Total General Fund Appropriations	\$ 1,919,955	\$ -	\$ 1,919,955	\$ 160,463	\$ 1,286,390	67%	\$ -	\$ 633,565

South Carolina Workers' Compensation Commission

2010 - 2011 Budget

February 28, 2011

Earmarked Funds

	Year-To-Date : 66.67%							
	Original Budget	Budget Amendments	Amended Budget	Expended February	Year to Date	%	Encumb	Balance
Commissioners								
Salaries								
Taxable Subsistence	\$ 80,000	\$ -	\$ 80,000	\$ 1,823	\$ 42,964	54%	\$ -	\$ 37,036
Total Salaries	80,000	-	80,000	1,823	42,964	54%	-	37,036
Other Operating Expenditures								
Contractual Services								
Office Equipment Service	700	-	700	-	-	0%	-	700
Copying Equipment Service	200	-	200	-	-	0%	-	200
Print/Bind/Advertisement	510	-	510	-	510	100%	-	-
Print Pub Annual Reports	28	-	28	-	-	0%	-	28
Data Processing Services	68,535	-	68,535	2,186	19,245	28%	-	49,290
Freight Express Delivery	490	-	490	-	-	0%	-	490
Telephone	4,500	-	4,500	419	3,006	67%	-	1,494
Cellular Phone Service	12,000	-	12,000	1,058	5,506	46%	-	6,494
Legal Services/Attorney Fees	160,000	-	160,000	7,558	87,382	55%	-	72,618
Other Professional Services	972	-	972	763	1,234	127%	-	(262)
Total Contractual Services	247,935	-	247,935	11,984	116,883	47%	-	131,052
Supplies & Materials								
Office Supplies	8,500	-	8,500	2,879	4,516	53%	-	3,984
Copying Equipment	2,714	-	2,714	-	1,970	73%	-	744
Printing	1,750	-	1,750	-	272	16%	-	1,478
Data Processing Supplies	649	-	649	-	-	0%	-	649
Postage	21,500	-	21,500	-	5,654	26%	-	15,846
Communication Supplies	50	-	50	-	460	920%	-	(410)
Maint/Janitorial Supplies	75	-	75	-	120	160%	-	(45)
Motor Vehicle Supp/Gasoline	100	-	100	-	58	58%	-	42
Other Supplies	975	-	975	-	-	0%	-	975
Total Supplies & Materials	36,313	-	36,313	2,879	13,050	36%	-	23,263
Fixed Charges								
Rental-Cont Rent Payment	4,800	-	4,800	148	2,032	42%	-	2,768
Rent-Non State Owned Property	149,750	-	149,750	11,119	88,955	59%	-	60,795
Rent-Other	250	-	250	-	212	85%	-	38
Insurance-State	3,633	-	3,633	-	3,633	100%	-	-
Insurance-Non State	169	-	169	-	-	0%	-	169
Fees & Fines	50	-	50	-	50	100%	-	-
Equipment Maintenance	1,000	-	1,000	-	-	0%	-	1,000
Total Fixed Charges	159,652	-	159,652	11,267	94,882	59%	-	64,770
Travel (Includes Leased Car)								
In State - Meals (Non-Reportable)	650	-	650	-	223	34%	-	427
In State - Auto Mileage	10,000	-	10,000	-	6,124	61%	-	3,876
In State - Subsistence Allowance	25,000	-	25,000	2,720	18,464	74%	-	6,536
Out State - Meals	500	-	500	-	52	10%	-	448
Out State - Auto Mileage	1,500	-	1,500	-	460	31%	-	1,040
Leased Car	50,000	-	50,000	3,140	25,433	51%	-	24,567
Total Travel	87,650	-	87,650	5,860	50,755	58%	-	36,895
Total Other Operating Expenditures	531,550	-	531,550	31,990	275,570	52%	-	255,980
Total Commissioners	\$ 611,550	\$ -	\$ 611,550	\$ 33,813	\$ 318,534	52%	\$ -	\$ 293,016

South Carolina Workers' Compensation Commission

2010 - 2011 Budget

February 28, 2011

Earmarked Funds

	Year-To-Date : 66.67%							
	Original Budget	Budget Amendments	Amended Budget	Expended February	Year to Date	%	Encumb	Balance
Administration								
Salaries								
Classified Positions	\$ 214,000	\$ -	\$ 214,000	\$ 17,509	\$ 143,867	67%	\$ -	\$ 70,133
Temporary Employees	3,500	-	3,500	961	5,746	164%	-	(2,246)
Terminal Leave	1,000	-	1,000	-	835	84%	-	165
Total Salaries	218,500	-	218,500	18,470	150,447	69%	-	68,053
Other Operating Expenditures								
Contractual Services								
Office Equipment Service	4,904	-	4,904	-	4,316	88%	-	588
Copying Equipment Service	2,000	-	2,000	-	-	0%	-	2,000
Print/Bind/Advertisement	4,650	-	4,650	-	404	9%	-	4,246
Print Pub Annual Reports	22	-	22	-	-	0%	-	22
Data Processing Services	181,658	-	181,658	7,699	99,078	55%	-	82,580
Freight Express Delivery	15,500	(5,000)	10,500	138	240	2%	-	10,260
Telephone	4,493	-	4,493	429	2,974	66%	-	1,519
Cellular Phone Service	1,925	-	1,925	381	1,271	66%	-	654
Education & Training Services	1,000	-	1,000	1,050	1,050	105%	-	(50)
Attorney Fees	34,947	-	34,947	3,369	22,739	65%	-	12,208
General Repair	230	-	230	-	-	0%	-	230
Audit Acct Finance	100	-	100	-	100	100%	-	-
Catered Meals	1,000	-	1,000	-	611	61%	-	389
Other Professional Services	2,000	-	2,000	-	50	3%	-	1,950
Other Contractual Services	445	-	445	-	445	100%	-	-
Total Contractual Services	254,874	(5,000)	249,874	13,065	133,279	53%	-	116,595
Supplies & Materials								
Office Supplies	9,743	-	9,743	644	3,671	38%	-	6,072
Subscriptions	175	-	175	-	-	0%	-	175
Copying Equipment Supplies	3,934	-	3,934	-	1,679	43%	-	2,255
Printing	1,964	-	1,964	-	430	22%	-	1,534
Data Processing Supplies	2,075	-	2,075	-	200	10%	-	1,875
Postage	7,100	4,150	11,250	(134)	4,119	37%	-	7,131
Maint/Janitorial Supplies	98	-	98	-	95	97%	-	3
Fees & Fines	174	750	924	-	275	30%	-	649
Gasoline/ Motor Vehicle Supply	36	-	36	-	84	232%	-	(48)
Promotional Supplies	75	-	75	-	-	0%	-	75
Employee Recog Award	564	-	564	-	46	8%	-	518
Other Supplies	100	-	100	-	-	0%	-	100
Total Supplies & Materials	26,038	4,900	30,938	509	10,599	34%	-	20,339
Fixed Charges								
Rental-Cont Rent Payment	5,979	-	5,979	312	2,279	38%	-	3,700
Rent-Non State Owned Property	107,101	-	107,101	7,195	57,559	54%	-	49,542
Rent-Other	225	1,500	1,725	447	1,450	84%	-	276
Insurance-State	7,490	(1,400)	6,090	-	6,090	100%	-	-
Insurance-Non State	134	-	134	-	-	0%	-	134
Dues and Memberships	3,985	-	3,985	735	3,735	94%	-	250
Equipment Maintenance	1,000	-	1,000	-	-	0%	-	1,000
Sales Tax Paid	9,686	-	9,686	580	5,656	58%	-	4,030
Total Fixed Charges	135,600	100	135,700	9,269	76,769	57%	-	58,931
Travel (Includes Leased Car)								
In State - Meals Non/ Reportable	21	(9)	12	-	-	0%	-	12
Reportable Meals	-	9	9	9	9	100%	-	-
Out of State - Milage	-	86	86	86	86	99%	-	0
In State - Registration Fees	-	150	150	150	150	100%	-	-
Leased Car	12,500	(236)	12,264	922	6,303	51%	-	5,961
Total Travel	12,521	-	12,521	1,166	6,548	52%	-	5,973
Equipment								
Equipment Data Processing- PC's	35,000	-	35,000	690	31,953	91%	3,047	(0)
Total Equipment	35,000	-	35,000	690	31,953	91%	3,047	(0)
Total Other Operating Expenditures	464,033	-	464,033	24,700	259,148	56%	3,047	201,838
Total Administration	\$ 682,533	\$ -	\$ 682,533	\$ 43,169	\$ 409,595	60%	\$ 3,047	\$ 269,891

South Carolina Workers' Compensation Commission

2010 - 2011 Budget

February 28, 2011

Earmarked Funds

	Year-To-Date : 66.67%							
	Original Budget	Budget Amendments	Amended Budget	Expended February	Year to Date	%	Encumb	Balance
Claims								
Salaries								
Classified Positions	\$ 301,000	\$ (6,000)	\$ 295,000	\$ 24,069	\$ 184,535	63%	\$ -	\$ 110,465
Temporary Positions	4,000	3,000	7,000	761	8,733	125%	-	(1,733)
Terminal Leave	1,000	3,000	4,000	-	3,092	77%	-	908
Total Salaries	306,000	-	306,000	24,831	196,360	64%	-	109,640
Other Operating Expenditures								
Contractual Services								
Office Equipment Services	200	-	200	-	90	45%	-	110
Print / Bind / Adv	750	-	750	-	404	54%	-	346
Print Pub Annual Reports	22	-	22	-	-	0%	-	22
Data Processing Services	26,933	-	26,933	1,890	14,903	55%	-	12,030
Freight Express Delivery	500	-	500	-	-	0%	-	500
Telephone	3,000	-	3,000	223	1,813	60%	-	1,187
Temporary Services	13,000	-	13,000	1,070	15,670	121%	-	(2,670)
Other Professional Services	3,000	-	3,000	-	90	3%	-	2,910
Total Contractual Services	47,405	-	47,405	3,183	32,970	70%	-	14,435
Supplies & Materials								
Office Supplies	3,913	-	3,913	3,726	8,468	216%	-	(4,555)
Copying Equipment	2,000	-	2,000	-	1,493	75%	-	507
Printing	2,000	-	2,000	-	215	11%	-	1,785
Data Processing Supplies	75	-	75	-	53	71%	-	22
Postage	14,000	-	14,000	-	8,600	61%	-	5,400
Maint/Janitorial Supplies	50	-	50	-	95	190%	-	(45)
Other Supplies	100	-	100	-	-	0%	-	100
Total Supplies & Materials	22,138	-	22,138	3,726	18,924	85%	-	3,214
Fixed Charges								
Rental-Cont Rent Payment	2,500	-	2,500	93	1,016	41%	-	1,484
Rent-Non State Owned Property	73,750	-	73,750	5,560	44,477	60%	-	29,273
Rent-Other	225	-	225	-	213	95%	-	12
Insurance-State	1,080	-	1,080	-	997	92%	-	83
Insurance-Non State	134	-	134	-	-	0%	-	134
Equipment- Copying	-	815	815	-	815	100%	-	(0)
Equipment Maintenance	1,000	(815)	185	-	-	0%	-	185
Total Fixed Charges	78,689	-	78,689	5,653	47,518	60%	-	31,171
Travel (Includes Leased Car)								
In State - Meals (Non-Reportable)	300	-	300	-	225	75%	-	75
In State - Lodging	500	-	500	-	565	113%	-	(65)
In State - Auto Mileage	600	-	600	109	277	46%	-	323
Reportable Meals	100	-	100	52	143	143%	-	(43)
Leased Car	250	-	250	-	-	0%	-	250
Total Travel	1,750	-	1,750	161	1,209	69%	-	541
Total Other Operating Expenditures	149,982	-	149,982	12,723	100,622	67%	-	49,360
Total Claims	\$ 455,982	\$ -	\$ 455,982	\$ 37,554	\$ 296,982	65%	\$ -	\$ 159,000

South Carolina Workers' Compensation Commission

2010 - 2011 Budget

February 28, 2011

Earmarked Funds

	Year-To-Date : 66.67%							
	Original Budget	Budget Amendments	Amended Budget	Expended February	Year to Date	%	Encumb	Balance
Insurance and Medical Services								
Salaries								
Classified Positions	\$ 383,000	\$ -	\$ 383,000	\$ 32,066	\$ 252,625	66%	\$ -	\$ 130,375
Temporary Employees	15,018	-	15,018	1,251	14,645	98%	-	373
Special Contractual Employee	4,635	-	4,635	-	-	0%	-	4,635
Total Salaries	402,653	-	402,653	33,317	267,270	66%	-	135,383
Other Operating Expenditures								
Contractual Services								
Office Equipment Service	200	-	200	-	-	0%	-	200
Copying Equipment Service	1,000	-	1,000	-	-	0%	-	1,000
Print/Bind/Advertisement	3,400	-	3,400	-	446	13%	-	2,954
Print Pub Annual Report	24	-	24	-	-	0%	-	24
Data Processing Services	24,864	-	24,864	3,500	26,999	109%	-	(2,135)
Telephone	2,626	-	2,626	230	1,745	66%	-	881
Other Professional Services	2,387	-	2,387	-	1,120	47%	-	1,267
Other Contractual Services	3,200	-	3,200	-	2,515	79%	-	685
Total Contractual Services	37,701	-	37,701	3,730	32,825	87%	-	4,876
Supplies & Materials								
Office Supplies	6,000	-	6,000	127	1,712	29%	-	4,288
Copying Equipment	3,000	-	3,000	-	1,651	55%	-	1,349
Printing	1,500	-	1,500	-	341	23%	-	1,159
Data Processing Supplies	1,000	-	1,000	-	-	0%	-	1,000
Postage	21,825	-	21,825	-	4,697	22%	-	17,128
Maintenance/Janitorial Supplies	75	-	75	-	105	140%	-	(30)
Fees & Fines	-	25	25	25	25	100%	-	-
Other Supplies	100	(25)	75	-	-	0%	-	75
Total Supplies & Materials	33,500	-	33,500	152	8,531	25%	-	24,969
Fixed Charges								
Rental-Cont Rent Payment	2,104	-	2,104	179	1,626	77%	-	478
Rent-Non State Owned Property	56,400	-	56,400	3,924	31,396	56%	-	25,004
Rent-Other	225	-	225	-	213	95%	-	12
Insurance-State	1,101	-	1,101	-	1,018	92%	-	83
Insurance-Non State	148	-	148	-	-	0%	-	148
Equipment Maintenance	942	-	942	-	-	0%	-	942
Sales Tax Paid	1,300	-	1,300	98	2,202	169%	-	(902)
Total Fixed Charges	62,220	-	62,220	4,201	36,456	59%	-	25,764
Travel (Includes Leased Car)								
In State - Meals (Non-Reportable)	50	-	50	82	334	668%	-	(284)
Reportable Meals	50	-	50	7	35	70%	-	15
In State - Lodging	158	-	158	211	660	417%	-	(502)
Total Travel	258	-	258	300	1,029	399%	-	(771)
Total Other Operating Expenditures	133,679	-	133,679	8,384	78,841	59%	-	54,838
Total Insurance and Medical Services	\$ 536,332	\$ -	\$ 536,332	\$ 41,701	\$ 346,111	65%	\$ -	\$ 190,221

South Carolina Workers' Compensation Commission

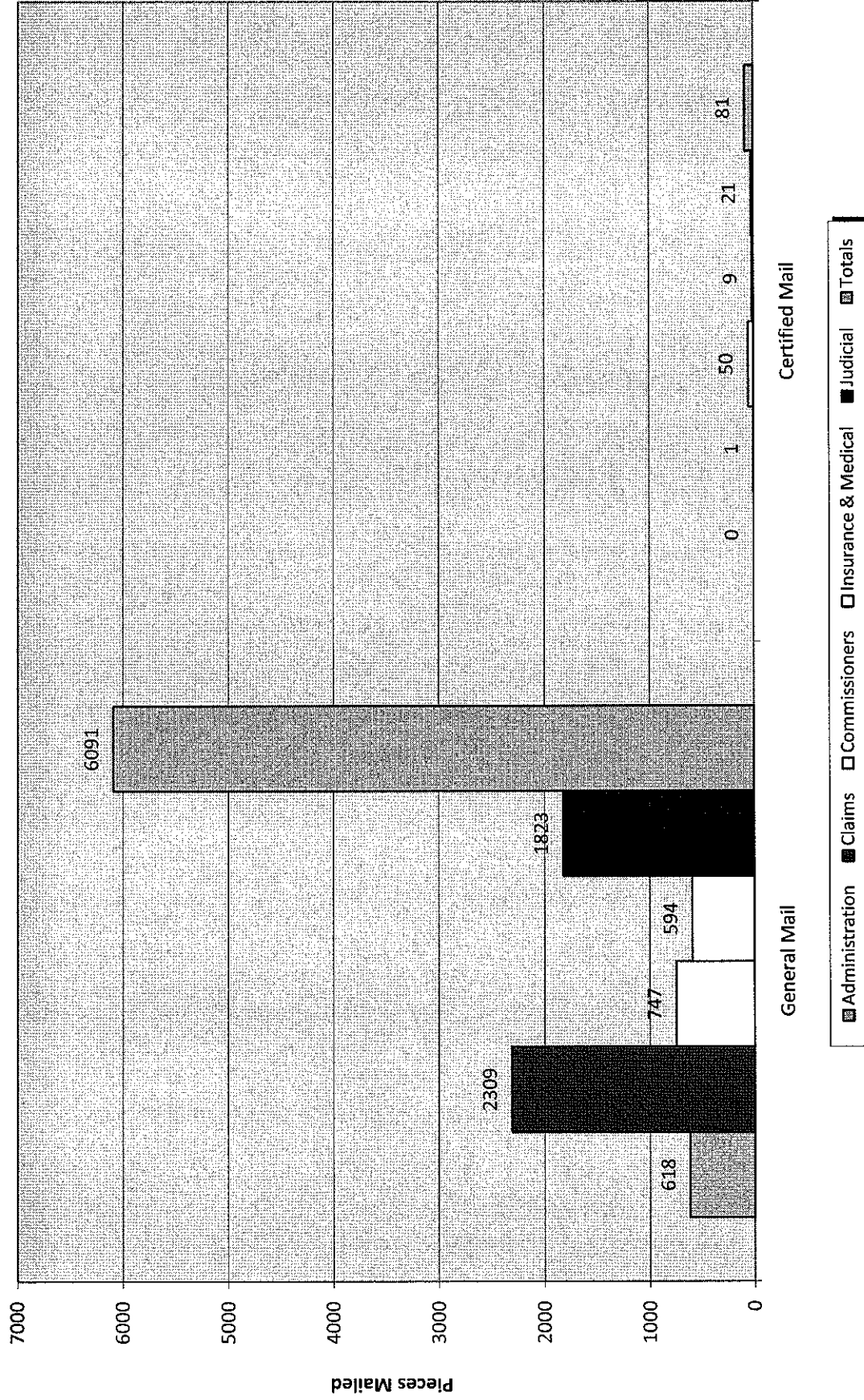
2010 - 2011 Budget

February 28, 2011

Earmarked Funds

	Year-To-Date : 66.67%							
	Original Budget	Budget Amendments	Amended Budget	Expended February	Year to Date	%	Encumb	Balance
Judicial								
Salaries								
Classified Positions	\$ 322,000	\$ (784)	\$ 321,216	\$ 25,033	\$ 212,194	66%	\$ -	\$ 109,022
Terminal Leave	-	784	784	-	784	100%	-	(0)
Total Salaries	322,000	-	322,000	25,033	212,979	66%	-	109,021
Other Operating Expenditures								
Contractual Services								
Office Equipment Services	180	-	180	-	-	0%	-	180
Print/Bind/Advertisement	500	-	500	-	361	72%	-	139
Print Pub Annual Reports	20	-	20	-	-	0%	-	20
Data Processing Services	37,803	-	37,803	1,692	14,241	38%	-	23,562
Freight Express Delivery	150	-	150	-	-	0%	-	150
Telephone	3,000	-	3,000	212	1,488	50%	-	1,512
Cellular Phone Service	1,225	-	1,225	215	772	63%	-	453
Other Professional Services	200	-	200	-	-	0%	-	200
Total Contractual Services	43,078	-	43,078	2,120	16,862	39%	-	26,216
Supplies & Materials								
Office Supplies	4,775	-	4,775	2,798	4,237	89%	-	538
Copying Equipment Supplies	1,949	-	1,949	-	1,349	69%	-	600
Printing	2,500	-	2,500	-	193	8%	-	2,307
Data Processing Supplies	75	-	75	-	-	0%	-	75
Postage	12,580	-	12,580	-	5,987	48%	-	6,593
Maintenance/Janitorial Supplies	50	-	50	-	72	144%	-	(22)
Promotional Supplies	20	-	20	-	-	0%	-	20
Other Supplies	75	-	75	-	-	0%	-	75
Total Supplies & Materials	22,024	-	22,024	2,798	11,838	54%	-	10,186
Fixed Charges								
Rental-Cont Rent Payment	1,750	-	1,750	236	416	24%	-	1,334
Rent-Non State Owned Property	63,750	-	63,750	4,906	39,245	62%	-	24,505
Rent-Other	225	-	225	-	213	95%	-	12
Insurance-State	1,121	-	1,121	-	1,183	106%	-	(62)
Insurance-Non State	120	-	120	-	-	0%	-	120
Total Fixed Charges	66,966	-	66,966	5,142	41,057	61%	-	25,909
Travel (Includes Leased Car)								
In State - Meals / Non-Reportable	250	-	250	-	110	44%	-	140
Reportable Meals	100	-	100	13	125	125%	-	(25)
In State - Lodging	400	-	400	-	298	75%	-	102
In State - Auto Mileage	2,200	-	2,200	110	1,635	74%	-	565
In State - Misc Travel Expense	100	-	100	-	43	43%	-	57
Out State - Auto Mileage	300	-	300	-	-	0%	-	300
Total Travel	3,350	-	3,350	123	2,211	66%	-	1,139
Total Other Operating Expenditures	135,418	-	135,418	10,182	71,968	53%	-	63,450
Total Judicial	\$ 457,418	\$ -	\$ 457,418	\$ 35,215	\$ 284,946	62%	\$ -	\$ 172,472
Earmarked Funds								
Department Totals								
Commissioners	\$ 611,550	\$ -	\$ 611,550	\$ 33,813	\$ 318,534	52%	\$ -	\$ 293,016
Administration	682,533	-	682,533	43,169	409,595	60%	3,047	269,891
Claims	455,982	-	455,982	37,554	296,982	65%	-	159,000
Insurance & Medical	536,332	-	536,332	41,701	346,111	65%	-	190,221
Judicial	457,418	-	457,418	35,215	284,946	62%	-	172,472
Total Departmental Expend	\$ 2,743,815	\$ -	\$ 2,743,815	\$ 191,451	\$ 1,656,168	60%	\$ 3,047	\$ 1,084,600
Employer Contributions	375,000	-	375,000	31,485	278,358	74%	-	96,642
Total Earmarked Funds	\$ 3,118,815	\$ -	\$ 3,118,815	\$ 222,936	\$ 1,934,526	62%	\$ 3,047	\$ 1,181,242
Capital / Computer Project Carryforward	\$ 54,761	\$ -	\$ 54,761	\$ -	\$ 1,580	3%	\$ -	\$ 53,181

Mail Totals for February (General & Certified)



MEMORANDUM

March 15, 2011

TO: Mr. Gary Cannon
Executive Director

FROM: Cathy Floyd
Human Resources

SUBJECT: Human Resource Report Period of February 1 – March 15, 2011

Below is a summary of the Human Resource activity for the period of February 1 – March 15, 2011.

Recruitment and Selection

- Recruited for the Program Manager II position in the Insurance and Medical Department
 - 103 applicants, selected 14 applicants for the interview process

Employee Relations (ER)

- Announced the revised Employee of the Year Policy and adjusted the nomination period for the 2010 Employee of the Year Award
 - Nomination period is February 23, 2011 – March 16, 2011
- Completed the job analysis on the Informal Conference process
- The Employee Advisory Committee continues work on the Administrative Policy and Procedures Manual
- Five ER issues were addressed during the activity period
- The week of April 18 – 22, 2011 will be our Wellness Week
 - There will be multiple activities during the week, ending with the 2011 Wellness Walk at Riverfront Park sponsored by Prevention Partners on Friday, April 22, 2011

Reporting

- Distributed a monthly Leave Summary Report to all eligible employees
- Completed and posted the OSHA 300 Report – Summary of Work-Related Injuries and Illnesses
 - In 2010, there were no reportable injuries or illnesses

State Office of Human Resources (OHR)

- OHR approved a Voluntary Separation Program (VSP) for the Program Manager II classification
 - Eligibility period is February 22, 2011 – April 7, 2011

Benefits

- Coverage changes for two employees
- Issued two COBRA notices
- Assisted an employee and a former employee with retirement service purchases
- Assisted an employee with beneficiary changes

SC Enterprise Information System (SCEIS)

- Four employment verifications
- Twenty-five transactions were keyed into the system

Training

- Coordinated a Weight Loss Workshop for the last agency-wide meeting
- Attended three SCEIS On-line Workshops
- Attended one half-day workshop at EIP

DACUM Research Chart

INFORMAL CONFERENCES

Produced for:

South Carolina Workers' Compensation Commission



DACUM Panel

Bryan Berthelette
Claims Department

Geneary Cole
Claims Department

Ginger Crocker
Judicial Department

Kelly Goodale
Judicial Department

Greg Line
Claims Department

Garry Smith
Insurance & Medical Services

Robin Strama
Judicial Department

DACUM Facilitator

Cathy Floyd, SPHR
Human Resource Manager

Phone: (803) 737-5671

Fax: (803) 737-5764

cbfloyd@wcc.sc.gov

Developed by:

Human Resources
1333 Main Street, Suite 500
Post Office Box 1715
Columbia, SC 29202-1715

February 8, 2011

General Knowledge and Skills

Extensive knowledge of the WCC statute, administrative procedures act, policies, and regulations
People skills
Navigational skills
Communication skills
Ability to gain rapport
Organizational skills
Ability to delegate
Writing skills
Time management skills
Crisis management
Ability to multi-task
Common sense
Technology skills
Knowledge of Progress

Tools, Equipment, Supplies and Materials

Laptop with access to Progress Internet / email access
Cell phone
Transportation
Calculator
Scanner
Copier
Commissioner Stamp
Desk supplies
Statute
Code
Docket / schedule
Flash drive
Briefcase / tote bag
Printer

Worker Behaviors

Dependable
Flexible, yet firm
Work independently
Exercise proper protocol
Compatible
Customer focused
Caring
Good work ethic/hard worker
Organized
Professional
Safety oriented
Friendly/courteous
Honest
Trustworthy
Responsible
Punctual
Mature
Positive attitude
Team player

Future Trends and Concerns

Possible change of process by mail verses in person
Cost of entire process
Retirement
Paperless
Sub-contract with experienced professionals
Need for multiple mediators
Stress
Gain revenue by electronic date tracking through Form 20 fines
Older claimant workforce
Lower compensation rates

DACUM Research Chart for Informal Conferences

February 8, 2011

DUTIES

TASKS

A. Manage the Informal Conference request

A1 Receive Informal Conference request

A2 Process the Informal Conference request

A3 Enter the JAR data for the IC request

A4 Secure the Informal Conference location

A5 Schedule the informal conference

A6 Serve as the liaison between all parties

A7 Notify all parties of the IC

A8 Process post-ponelements, claimant conflicts, etc.

A9 Prepare schedule for IC mediator

B. Conduct the Informal Conference

B1 Assign mediator and staff to hearing site

B2 Arrange travel to hearing site

B3 Coordinate room site with local officials

B4 Set-up hearing room

B5 Proceed with the IC docket

B6 Explain the WCC Act and ensure benefits paid pursuant to the law

B7 Determine if pending issues can be resolved

B8 Complete information on Form 16/ Form 16A

B9 Return the room to original configuration

C. Process the results of the Informal Conference

C1 Process the Form 16 / Form 16A

C2 Process 14 day orders and fines

C3 Distribute Form 16 / Form 16A

C4 Enter final information in Progress

Acronyms

Form 16/16A—Agreement for Permanent Disability / Disfigurement Compensation

Form 20—Statement of Earnings

IC—Informal Conference

JAR—Judicial Activity Record

WCC—South Carolina Workers' Compensation Commission



Wellness Week

April 18 – 22, 2011



Tuesday – Biggest Loser Competition

Kick-off the 6-week program on Tuesday at noon in the Break Room. Fashioned after the popular television show, participants compete for 6-weeks against co-workers to be awarded the biggest loser. Cost of participation is \$10, all proceeds go to the participant with the largest percentage of weight loss.

Wednesday – Move It or Lose It

Prevention Partners will provide a workshop from 3:00 – 4:00 in the 1st floor conference room. The workshop will consist of a presentation on how LIFESTYLE CHOICES AND CHANGES can enhance YOUR HEALTH in the area of PHYSICAL ACTIVITY. Learn to LOSE WEIGHT AND GET IN SHAPE regardless of your fitness level or health status.

Thursday – Healthy Food Choices

Lisa Akly, Registered Dietitian with Palmetto Health will be presenting a workshop during the agency-wide meeting. She will discuss type of foods, portion control, options for eating out and preparing meals at home.

Friday - 2011 Wellness Walk

Prevention Partners is hosting the 2011 Wellness Walk at Riverfront Park from noon until 2:00. You can walk, run, ride a bike, roller blade, etc. at the annual event. You can form teams, invite friends and family or walk the course alone.

WCC IT Projects Status Report

Period		February	Status Key:	Not Started	On Track	Timing
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Projects								
#	Key Projects	Sub Project	Regulation	Due Date	% of completion	% of time devoted to issue	Lead	Issues / Comments
3	Phase II - Claims EDI			December 2010	50%	0%	Amanda	Developing requirements, design, implementation plan
4g	Electronic Service Initiatives	Electronic Service Initiatives Consent Orders	67-213	January 2011	45%	25%	Amanda	OnBase Upgrade Complete. Pilot with Commissioner Huffstater's office scheduled to begin 4/1/2011.
4h		Electronic Service Initiatives Clinchers	67-213	TBD	0%	0%		Will begin after Consent orders
4i		Electronic Service Initiatives Fee Petitions	67-213	TBD	0%	0%		
4j		Electronic Service Initiatives - Receipt of electronic pleadings	67-211	January 2012	0%	0%		
4k		Electronic receipt of any form or document	67-205	January 2012	0%	0%		
4l		12 M Revamp of current Minor Medical Reporting from Carriers	67-412	January 2012	0%	0%		
4m		Electronic Service Full Commission Orders	67-213	5/1/2011	42%	10%	Amanda	New Program implemented 3/16/2011. Awaiting final acceptance by Business Users.
7	Compliance X-file Creation Automation	Automation of Compliance Investigation File Creation from ESC data		3/23/2011	90%	50%	Betsy/Amanda	
8	SC Voc. Rehab			TBD	5%	5%	Betsy	Met with Voc Rehab representatives
					Projects Amanda	55%		

WCC IT Projects Status Report

Period	February	Status Key:	On Track	Timing
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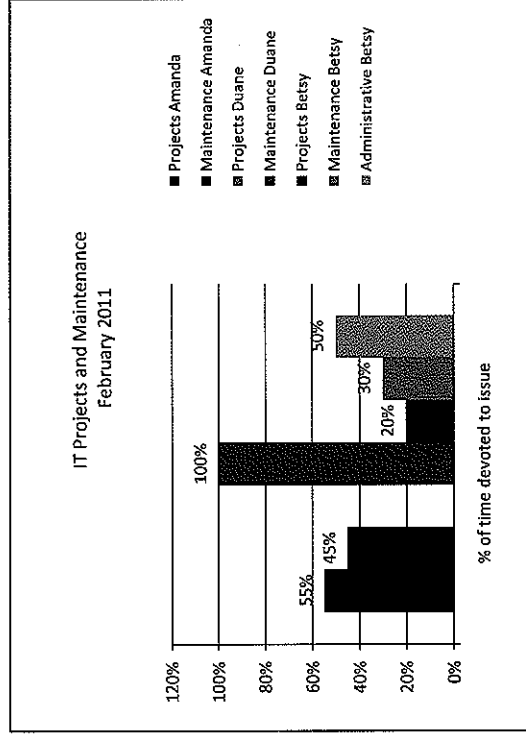
Projects								
#	Key Projects	Sub Project	Regulation	Due Date	% of completion	% of time devoted to issue	Lead	Issues / Comments
					Projects Duane	0%		
					Projects Betsy	20%		

Maintenance								
Prio rity	Maintenance Issue	Project	Start date	Estimated completion	% complete	% of time devoted to issue	Assigned to	Status
	NCCI issue relating to changes to key fields, such as FEIN's has been identified by NCCI and has not been evaluated by WCC	EDI Coverage	August	ongoing		80%	Duane	have not touched
3	Modification to F18 functions in Progress	Progress	June	tbd		0%	Duane	
6	New report for tracking eService compliance	eService	tbd			0%	Duane	
7	FOIA report requests, general issues and questions from Coverage, claims and Judicial	all departments	ongoing	ongoing		10%	Duane	
	FOIA report requests, general issues and questions from Coverage, claims and Judicial	all departments	ongoing	ongoing		10%	Duane	
					Maintenance Duane	100%		
	NCCI issue relating to changes to key fields, such as FEIN's has been identified by NCCI and has not been evaluated by WCC	EDI Coverage	August	ongoing		20%	Amanda	
	eCase Enhancement Issues & Training	eCase	December	ongoing		20%	Amanda	
1	Add warning on closed file with Jar	Judicial				0%		
	FOIA report requests, general issues and questions from Coverage, claims and Judicial	all departments	ongoing	ongoing		25%	Amanda	
					Maintenance Amanda	45%		
	NCCI issue relating to changes to key fields, such as FEIN's has been identified by NCCI and has not been evaluated by WCC	EDI Coverage	August	ongoing		0%	Betsy	
	FOIA report requests, general issues and questions from Coverage, claims and Judicial	all departments	ongoing	ongoing		30%	Betsy	
					Maintenance Betsy	30%		

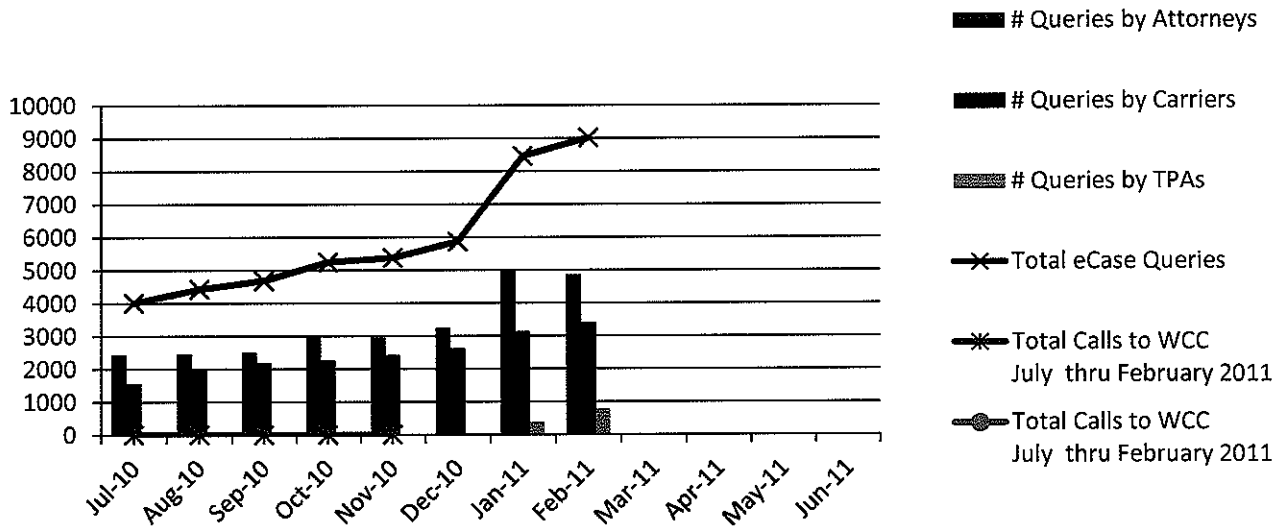
WCC IT Projects Status Report

Period	February	Status Key:	Not Started	On Track	Timing
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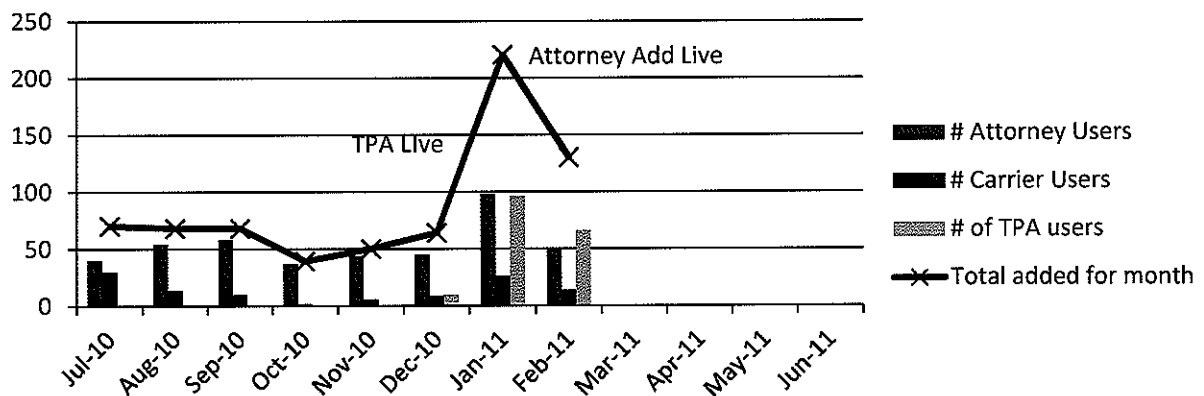
Projects								
#	Key Projects	Sub Project	Regulation	Due Date	% of completion	% of time devoted to issue	Lead	Issues / Comments
Administrative Betsy								
#	Project	Sub Project		Due Date	% of completion	% of time devoted to issue	Assigned to	Status
2	IPC Refresh for balance of staff	Refresh		TBD	15%	25%	Betsy	On Hold for finalized server purchase order
3	Work Flow			TBD	0%	0%	Gary/Betsy	
5	IT Planning for FY 2011			10/31/2010		10%	IT Staff & Gary	Getting quotes for server refresh
6	Infrastructure Refresh	Refresh		TBD	15%	15%	Betsy	Finalizing Project Plan and specifications for new server



eCase Queries By Month and Type of User



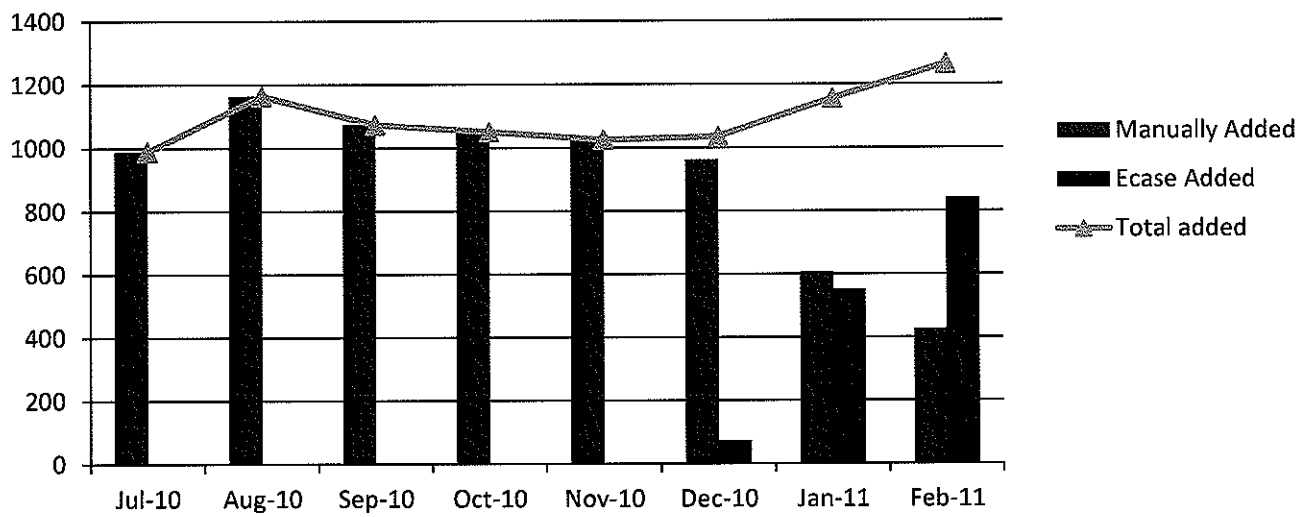
eCase Users by Type and Date Added



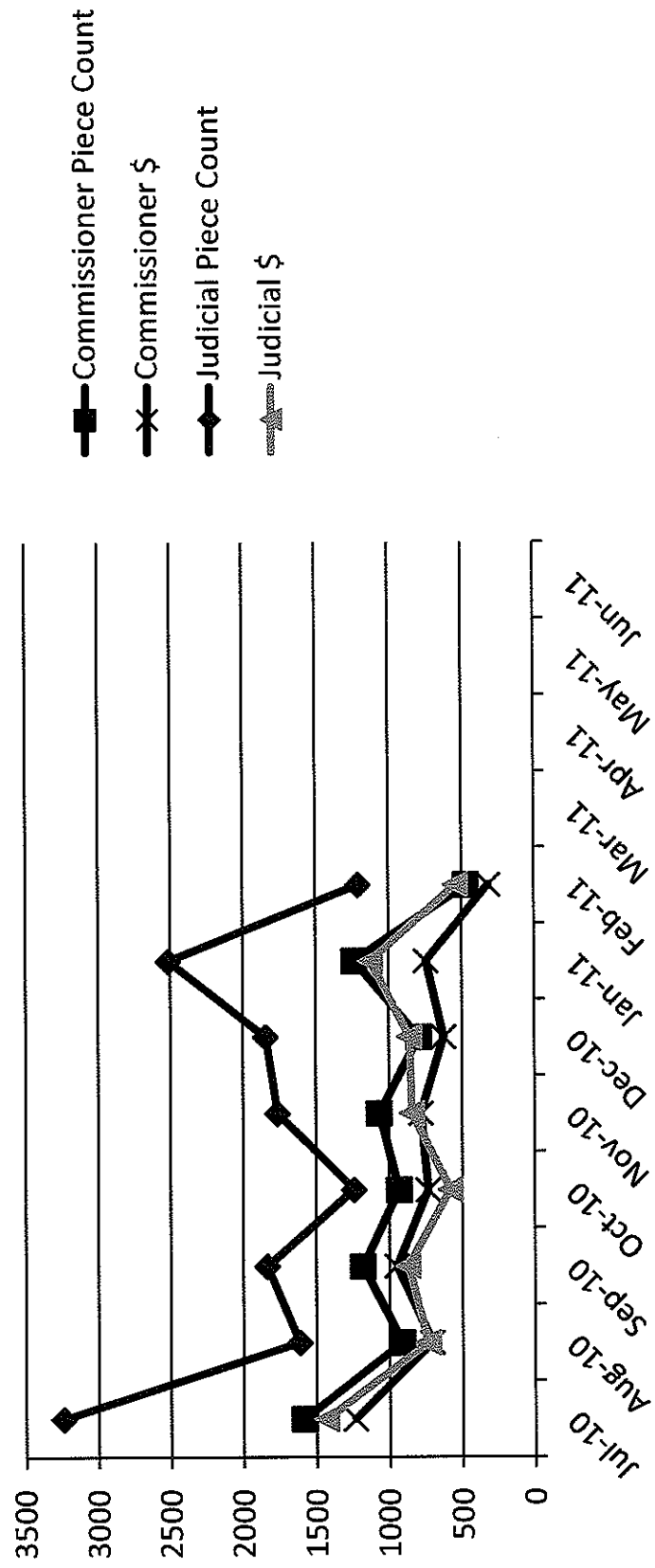
Additional status

Added Service
Addresses

eCase - Attorney Add



Mail Cost and Piece Count for Commissioners and Judicial



TO: Gary M. Cannon, Executive Director

FROM: Wayne Ducote

DATE: March 7, 2011

RE: Outstanding Fines Status

The following is the requested status of outstanding fines in the Compliance and Coverage Divisions of the Insurance and Medical Services Department:

Compliance

There are two categories for Compliance fines: cases with underlying claims; and cases without underlying claims. Cases with underlying claims are those cases in which a claim has been filed but there is no record of the employer having coverage. Cases with no underlying claims are the cases where employers are discovered to have no coverage through the search of the Department of Employment and Workforce records or a random coverage check.

The procedure for collection of fines is as follows:

1. Employers suspected of not having insurance are sent a letter requesting verification they have coverage and are given 14 days to respond. Failure to respond and to immediately acquire insurance will result in fines being assessed at \$1.00 per day for each employee, a minimum of \$10.00 per day and a maximum of \$100.00 per day.

Thirty-three violation letters were issued during the month of February.

2. For cases without an underlying claim, if the employer immediately comes into compliance after the initial notification, the assessed fine is \$750 for 10 or less employees and \$1,000 for 11-20 employees.

Seventeen compliance agreements were received during the month of February.

3. If there is no response and we can prove the employer is subject to the Workers' Compensation Act, the Compliance Division subpoenas the employer to an Order and Rule to Show Cause hearing. These hearings are scheduled every 30 days.

Seven subpoenas were issued in February. The next Order and Rule to Show Cause hearing is scheduled for March 21, 2011.

4. Along with the subpoena, the employer is provided a letter offering the opportunity to settle in lieu of attending the hearing. However, if the employer does not settle, and the employer is found to be subject to the Act at the hearing, an order is issued finding the employer in violation of the Act. In most instances, the order stipulates maximum fines and penalties. Orders are issued within 30 days after the hearing.

8 orders resulting from the February 25, 2011 Order and Rule to Show Cause hearing were published in February.

5. If there is no response to the order, a civil judgment is filed within 45 days.

5 civil judgments were filed during the month of February.

6. Further contact with the employer (telephone and letter) is attempted by the Director of Compliance. If the employer remains willfully uninsured, the Director of Compliance files a criminal complaint with the jurisdictional magistrate. This new procedure for the Department has yet to be finalized with legal counsel.

Coverage

There are two types of fines assessed on carriers by the Coverage Division:

- A. Late filing for policies not received within 30 days of the policies' effective date.
- B. 12M Minor Medical Fines

In January - March 2010, approximately 200 carriers were sent a final notice on fines over 90 days old. Carriers were advised that failure to pay outstanding fines would result in a subpoena being issued requiring attendance at an Order and Rule to Show Cause Hearing. Initially, these carriers owed \$207,375 in fines over 90 days old. This total was reduced to \$18,596.33 as of March 7, 2011.

Department of Insurance & Medical Services
South Carolina Workers' Compensation Commission
March 2011 Monthly Report

	July	August	September	October	November	December	January	February	March	April	May	June	2010 - 2011
SELF INSURANCE													
New Self-Insurers Approved	11	6	14	7	8	9	16	11					82
Self Insurance Tax Collected	\$35,282	\$147,818	\$1,647,285	\$16,989	\$33,269	\$319,996	\$42,040	\$126,462					\$2,369,141
COMPLIANCE													
Cases Active at Beginning of Period	422	600	754	672	768	884	778	832					
Cases Initiated	203	203	140	152	148	171	102	97					1216
Cases Closed	25	49	222	56	32	277	48	62					771
Cases Active at End of Period	600	754	672	768	884	778	832	867					
Total Fines Assessed	\$49,965	\$63,553	\$112,292	\$105,730	\$49,740	\$109,114	\$86,660	\$56,024					
- Employer wage / coverage screening	\$30,050	\$23,715	\$25,140	\$61,265	\$27,000	\$70,084	\$66,588	\$27,010					\$633,078
- Underlying claim / uninsured employer	\$19,915	\$36,188	\$87,152	\$44,365	\$22,740	\$39,030	\$20,072	\$29,014					\$330,852
- Random Investigation	\$0	\$3,650	\$0	\$100	\$0	\$0	\$0	\$0					\$298,476
Total Fines Collected	\$15,975	\$20,704	\$27,075	\$51,739	\$22,068	\$39,084	\$23,255	\$20,944					\$3,750
- Employer wage / coverage screening	\$14,175	\$13,634	\$17,435	\$20,375	\$15,625	\$32,584	\$18,375	\$13,875					\$220,844
- Underlying claim / uninsured employer	\$1,800	\$7,070	\$9,640	\$31,264	\$6,443	\$6,500	\$4,880	\$7,069					\$146,078
- Random Investigation	\$0	\$0	\$0	\$100	\$0	\$0	\$0	\$0					\$74,666
Fines Waived/Rescinded/Uncollectable	\$25,770	\$77,180	\$43,411	\$38,949	\$45,874	\$24,330	\$37,942	\$26,637					\$100
- Waived	\$8,370	\$13,775	\$5,520	\$0	\$1,500	\$6,750	\$25,322	\$16,746					\$320,093
- Rescinded	\$17,400	\$63,405	\$37,891	\$38,949	\$44,374	\$17,580	\$12,620	\$9,891					\$77,983
- Uncollectable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0					\$242,110
													\$0
COVERAGE & ACCIDENT RPTG													
Employers Withdrawing From the Act	1	1	3	2	1	3	3	1					15
Coverage Fines Assessed	\$18,400	\$19,600	\$4,400	\$7,800	\$13,200	\$11,000	\$8,200	\$7,400					\$90,000
Coverage Fines Collected	\$67,795	\$21,600	\$18,500	\$10,600	\$12,240	\$10,400	\$9,200	\$9,800					\$160,135
Coverage Fines Waived	\$1,000	\$2,400	\$1,604	\$13,360	\$1,600	\$2,275	\$1,600	\$400					\$24,239
Number of 12As Filed EDI	1,762	1,747	1,689	1,554	1,601	1,573	1,444	1,426					12,796
Number of 12As Filed Manually	336	458	376	386	394	345	242	283					2,820
Total Number of WCC Files Created	2,098	2,205	2,065	1,940	1,995	1,918	1,686	1,709					15,616
Number of Fatalities Filed on 12As	7	9	4	8	3	11	2	3					47
MEDICAL SERVICES													
Bills Pending at Beginning of Period	76	93	59	42	61	53	39	29					625
Bills Received	83	90	85	107	67	64	59	70					
Bills to be Reviewed	159	183	144	149	128	117	98	99					655
Bills Reviewed this Month	66	124	102	88	75	78	69	53					
Bills Pending at End of Period	93	59	42	61	53	39	29	46					

Department of Insurance & Medical Services
South Carolina Workers' Compensation Commission
January 2011 Monthly Report

FY2010

	July	August	September	October	November	December	January	February	March	April	May	June	2009-2010
Violation letters	48	62	45	63	38	51	49	51	45	29	20	9	510
Compl. Agrmnt rcvd/Admin. Order	25	48	40	29	48	44	38	29	57	27	17	11	413
- Compliance Agreements received	25	44	40	28	47	40	36	25	41	21	10	10	367
- Administrative Orders	0	4	0	1	1	4	2	4	16	6	7	1	46
Subpoenas issued	0	0	34	38	19	43	12	11	15	18	39	14	243
Orders published	0	0	0	0	0	18	0	5	6	1	1	6	37
Civil Judgments filed	0	0	0	0	0	0	0	0	1	0	0	0	1

FY2011

	July	August	September	October	November	December	January	February	March	April	May	June	2010-2011
Violation letters - 102	14	9	39	36	18	40	20	33					209
Compl. Agrmnt rcvd/Admin. Order	13	35	23	27	28	20	18	25					189
- Compliance Agreements received	6	27	19	24	22	17	13	17					145
- Administrative Orders - 160	7	8	4	3	6	3	5	8					44
Subpoenas issued - 68	10	13	8	23	6	22	11	7					100
Orders published - 69	7	6	1	2	8	0	3	8					35
Civil Judgments filed - 149	0	4	12	0	0	0	0	5					21

TO: GARY CANNON, EXECUTIVE DIRECTOR
FROM: GREGORY S. LINE, DIRECTOR OF CLAIMS
SUBJECT: CLAIMS REPORT FOR THE MONTH OF DECEMBER
DATE: 03/07/11

Fines assessed for the month of February 2011:

- We assessed **479** fines for the month of February which was down from assessing 701 fines for the month of January.
- The dollar amount of the fines assessed for the month was **\$96,600** which was down from assessing **\$141,200** for the month of December.

Fines received for the month of January 2011:

- We received payment on **510** fines for the month of February which was up from receiving **488** fines for the month of February.
- The dollar amount of fines received for the month February was **\$101,700** which was down from receiving **\$104,200** for the month of December.

The number of fines assessed went down for the month of February and the number of fines collected went up slightly for the month:

- | | |
|---------------------------------------|-------------------------------------|
| • July assessed 1,195 fines | July fines collected 742 |
| • August assessed 699 fines | August fines collected 722 |
| • September assessed 839 fines | September fine collected 580 |
| • October assessed 560 fines | October fines collected 599 |
| • November assessed 715 fines | November fines collected 649 |
| • December assessed 661 fines | December fines collected 488 |
| • January assessed 701 fines | January fines collected 510 |
| • February assessed 479 fines | February fines collected 512 |

The carriers are getting better at sending the Form 18's and the First Report of Injury in a more timely manner and for the month of February the number of fines assessed went down 221 fines. Since there were three less days in the month of February that would account for the fines assessed being down a little but they were down more than I would have thought. We will see next month if this is a trend or just a one month decrease.

The dollar amount of fines assessed for each form, for the month of June, and fines collected for each form from February 1, 2011 through February 28, 2011

The number of fines assessed and collected, for each form, are in parenthesis.

	<u>Assessed</u>	<u>Collected</u>
Form 12A -	\$ 12,400.00 (62)	\$ 9,400.00 (49)
Form 15 Section I -	\$ 2,600.00 (12)	\$ 6,700.00 (31)
Form 15 Section II -	\$ 1,200.00 (6)	\$ 2,000.00 (10)
Form 15 S -	\$ 800.00 (4)	\$ 1,200.00 (6)
Form 17 -	\$ 400.00 (2)	\$ 600.00 (3)
Form 18 -	\$ 75,600.00 (373)	\$ 79,100.00 (399)
Form 19 -	\$ 400.00 (4)	\$ 0 (0)
Denial letter -	\$ 1,000.00 (5)	\$ 200.00 (1)
Failure to respond -	\$ 2,200.00 (11)	\$ 2,400.00 (12)
Failure to pay Orig fine	0	\$ 100.00 (1)
Form 20	0	\$ 0
Form 51	0	\$ 0
 TOTAL -	 \$ 96,600.00 (479)	 \$ 101,700.00 (512)

Fine Report for September, October, November, December 2010 & January and February 2011

	Sept	Oct	Nov	Dec	Jan	Feb
Amt assess	\$170,800	\$114,800	\$150,000	\$134,500	\$141,200	\$ 96,600
# fines assess	839	560	715	661	701	479
Amt coll	\$119,325	\$120,300	\$128,000	\$103,000	104,200	\$101,700
Fines coll	580	599	649	488	510	512

Form 18's

Fines assess						
Daily	\$109,600	\$80,200	\$111,800	\$ 97,000	\$96,500	\$74,200
Fines assessed						
file review	\$14,600	\$6,000	\$ 9,000	\$1,800	\$5,000	\$1,400
Total amount						
Assessed	\$124,200	\$86,200	\$120,800	\$98,800	\$101,500	\$75,600

fines assess daily	548	397	554	478	485	366
# fines assess						
file review	64	20	7	9	24	7
Total fines assess	612	417	561	487	509	373

Amt coll	\$90,800	\$91,500	\$ 101,350	\$75,100	82,600	\$79,100
# coll	429	449	506	342	402	399

All other fines assessed

(Form 12-A, Form 15, Form 17, Form 19, denial letter, Form 20, failure to respond)

Amt assess	\$46,600	\$34,600	\$ 29,200	\$35,700	\$38,700	\$21,000
# fines assess	227	170	154	174	192	106
Amt paid	\$28,525	\$28,800	\$26,650	\$27,900	\$21,600	\$22,600
# fines pd	153	150	143	146	108	113

[illegible]

TO: Gary M. Cannon, Executive Director
FROM: Gregory S. Line
DATE: March 7, 2011
RE: Claims
Outstanding Fines Status

Below is the status of the six groups of carriers with 6 companies that were sent a Second and Final Notice of fines Assessment on July 24, 2009.

1. Insurance Company of North America
 - a. Beginning bal \$ 28,580
 - b. Bal as of 3/7/11 \$ 200
2. AIG
 - a. Beginning bal \$ 56,431
 - b. Bal as of 3/7/11 \$ 200
3. Federal Insurance Company
 - a. Beginning bal \$ 4,500
 - b. Bal as of 3/7/11 \$ 600
4. Liberty Mutual Group
 - a. Beginning bal \$ 22,750
 - b. Bal as of 3/7/11 \$ 200
5. Travelers Property & Casualty Company
 - a. Beginning Bal \$ 4,160
 - b. Bal as of 3/7/11 \$ 200
- 6.. American Casualty Co. of Rdg PA
 - a. Beginning Bal \$ 5,160
 - b. Bal as of 3/7/11 \$ 100

TO: Gary M. Cannon, Executive

FROM: Gregory S. Line
Director of Claims

DATE: March 7, 2011

RE: Claims
Outstanding Fines Status

Below is a list of three carriers that were sent a Second and Final Notice of fines Assessment on October 30, 2009

1. Chubb Indemnity Ins. Co.
 - a. Beginning bal \$ 2,086.33
 - b. Bal as of 3/7/10 \$ **700.00**
2. Peerless Ins. Co.
 - a. Beginning bal \$ 3,900.00
 - b. Bal as of 3/7/10 \$ **200.00**
3. OneBeacon Ins. Co.
 - a. Beginning bal \$ 3,000.00
 - b. Bal as of 3/7/10 \$ **500.00**

TO: Gary M. Cannon, Executive Director

FROM: Gregory S. Line
Director of Claims

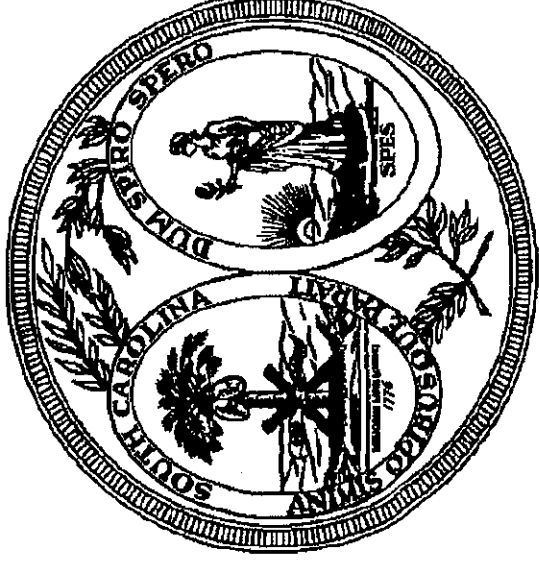
DATE: March 7, 2011

RE: Claims
Outstanding fine status

Below is a list of nine carriers that were sent a Second and Final Notice of fines Assessment on January 4, 2010.

1. Travelers Casualty & Ins. Co.
 - a. Beginning bal \$ 13,172.66
 - b. Bal as of 3/7/11 \$ 600.00
2. State Farm First & Casualty
 - a. Beginning bal \$ 4,000.00
 - b. Bal as of 3/7/11 \$ 600.00
3. Valley Forge Ins. Co.
 - a. Beginning bal \$ 300.00
 - b. Bal as of 3/7/11 \$ 100.00
4. Sentry Select Ins. Co.
 - a. Beginning bal \$ 510.00
 - b. Bal as of 3/7/11 \$ 510.00
5. Sentry Insurance A Mutual Co.
 - a. Beginning bal \$ 7,025.00
 - b. Bal as of 3/7/11 \$ 200.00
6. PA Manufacturers Assn. Ins. Co.
 - a. Beginning bal \$ 800.00
 - b. Bal as of 3/7/11 \$ 200.00
7. Farmington Casualty Co.
 - a. Beginning bal \$ 1,200.00
 - b. Bal as of 3/7/11 \$ 400.00
8. Midwest Employers Casualty Co.
 - a. Beginning bal \$ 900.00
 - b. Bal as of 3/7/11 \$ 700.00
9. Premier Group Ins. Co.
 - a. Beginning bal \$ 900.00
 - b. Bal as of 3/7/11 \$ 200.00

SCWCC Judicial Report



March 2011

Month	Forms 50, 53, 54			Form 15 Section III			Dependency Hearings			Motions			Clincher Conf.			Informal Conf. Requested			Informal Conf. Conducted			Mediations			Form 30			FC Hearings Held			FC Orders Served			Single Comm. Hearings Held			D&O Served		
	5263	4291	2195	22	30	706	706	706	3396	2521	98	379	204	245	1260	1105																							
Jul-10	692	527	283	1	4	86	93	436	170	6	50	27	22	138	125																								
Aug-10	723	627	319	6	5	103	87	491	567	0	51	23	46	153	155																								
Sep-10	635	551	249	2	4	84	88	354	411	7	43	25	39	180	162																								
Oct-10	632	511	283	4	3	107	76	497	302	15	42	31	34	144	114																								
Nov-10	661	528	252	3	5	106	93	397	264	3	49	20	20	182	153																								
Dec-10	526	501	252	3	3	79	96	375	299	11	56	27	28	151	95																								
Jan-11	708	553	273	2	0	65	84	366	271	50	30	15	25	160	177																								
Feb-11	686	493	284	1	6	76	89	480	237	6	58	36	31	152	124																								
Mar-11																																							
Apr-11																																							
May-11																																							
Jun-11																																							
Totals FY 2010-2011	5263	4291	2195	22	30	706	706	3396	2521	98	379	204	245	1260	1105																								

Month	Forms 50, 52, 54, 53, 55			Form 15 Section III			Dependency Hearings			Motions			Clincher Conf.			Informal Conf. Requested			Informal Conf. Conducted			Mediations			Form 30			FC Hearings Held			FC Orders Served			Single Comm. Hearings Held			D&O Served		
	52, 54	53, 55	Form 21	Form 15 Section III	Dependency Hearings	Motions	Clincher Conf.	Informal Conf. Requested	Informal Conf. Conducted	Mediations	Form 30	FC Hearings Held	FC Orders Served	Single Comm. Hearings Held	D&O Served																								
Jul-10	692	527	283	1	4	86	93	436	170	6	50	27	22	138	125																								
Aug-10	723	627	319	6	5	103	87	491	567	0	51	23	46	153	155																								
Sep-10	635	551	249	2	4	84	88	354	411	7	43	25	39	180	162																								
Oct-10	632	511	283	4	3	107	76	497	302	15	42	31	34	144	114																								
Nov-10	661	528	252	3	5	106	93	397	264	3	49	20	20	182	153																								
Dec-10	526	501	252	3	3	79	96	375	299	11	56	27	28	151	95																								
Jan-11	708	553	273	2	0	65	84	366	271	50	30	15	25	160	177																								
Feb-11	686	493	284	1	6	76	89	480	237	6	58	36	31	152	124																								
Mar-11																																							
Apr-11																																							
May-11																																							
Jun-11																																							
Totals FY 2010-2011	5263	4291	2195	22	30	706	706	3396	2521	98	379	204	245	1260	1105																								

Pleadings Assigned

Month	District 1	District 2	District 3	District 4	District 5	District 6	District 7
Jul-10	93	111	118	169	146	114	140
Aug-10	121	106	113	193	138	109	132
Sep-10	111	85	105	130	115	103	163
Oct-10	99	76	84	157	117	83	130
Nov-10	97	50	122	140	99	98	151
Dec-10	95	81	111	131	88	83	118
Jan-11	108	83	123	164	90	101	140
Feb-11	132	67	102	139	89	85	95
Mar-11							
Apr-11							
May-11							
Jun-11							
Totals	856	659	878	1223	882	776	1069
FY 2010-2011							

Informal Conference & Mediations

Staff	Mileage/Hours	Total											
		Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
Staff 1	SVM	368.00	332.00	205.00	701.00	25.00	0.00	587.00	370.00				2588.00
	PVM	213.00	0.00	172.00	0.00	605.00	470.00	0.00	0.00				1460.00
	Time	43.00	47.00	69.50	48.00	61.00	48.00	44.00	24.00				384.50
	Hotel	0.00	115.06	214.67	110.00	0.00	39.00	160.00	0.00				638.73
Staff 2	SVM	162.00	262.00	0.00	0.00	233.00	562.00	236.00	0.00				1455.00
	PVM	501.00	320.00	776.00	232.00	200.00	0.00	138.00	0.00				2167.00
	Time	35.00	51.00	59.00	20.00	26.00	33.00	25.00	0.00				249.00
	Hotel	0.00	0.00	0.00	0.00	0.00	0.00	264.00	0.00				264.00
Mediations	SVM	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				0.00
	PVM	116.00	0.00	0.00	266.00	0.00	0.00	254.00	0.00				636.00
	Time	33.00	0.00	0.00	13.00	0.00	0.00	27.00	0.00				73.00
	Hotel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				0.00
Staff 3	SVM	192.00	456.00	339.00	0.00	0.00	0.00	0.00	0.00				987.00
	PVM	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				4.00
	Time	16.75	49.00	24.15	26.50	0.00	22.00	22.00	0.00				160.40
	Hotel	0.00	155.26	0.00	110.00	0.00	0.00	0.00	0.00				265.26
Staff 4	SVM	130.00	182.00	163.00	460.00	746.00	255.00	486.00	269.00				2691.00
	PVM	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				0.00
	Time	4.00	24.00	48.45	61.50	128.00	34.50	70.50	31.00				401.95
	Hotel	0.00	0.00	198.00	65.00	164.25	102.95	132.84	78.00				741.04
Staff 5	SVM	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				0.00
	PVM	45.00	92.60	92.60	220.00	0.00	0.00	0.00	0.00				450.20
	Time	20.45	34.45	25.50	12.00	13.50	0.00	13.00	0.00				118.90
	Hotel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				0.00
Staff 6	SVM	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				0.00
	PVM	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				0.00
	Time	0.00	21.00	25.50	0.00	13.50	0.00	0.00	11.00				71.00
	Hotel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				0.00

Totals FY 2010-2011	
SVM = State Vehicle Miles	7721.00
PVM = Personal Vehicle Miles	4717.20
T = Time	1458.75
H = Hotel Cost	1909.03

State of South Carolina

1333 Main Street, 5th Floor
P.O. Box 1715
Columbia, S.C. 29202-1715



TEL: (803) 737-5700
FAX: (803) 737-5764

Workers' Compensation Commission

Executive Director's Report March 21, 2011

Fines and Assessments Aging Report

The attached Fines and Assessments Aging Report reflects the number and amount of fines assessed for the period ending February 28, 2011. Attached is a report on changing the fines and assessment processes from daily to quarterly.

Employee Meetings/Staff Training

The agency All Employee Meeting was held on February 24. The Executive Staff Leadership Team Retreat on January 28, 2011 was the first of a concerted effort to develop a sustainable capacity of our organization's leadership. The Executive Staff felt the Retreat was a success and recommended the Leadership Team meet monthly to continue the dialogue and training. The Executive Staff Leadership Team met on March 8, 2011. Future meetings will be held the first Executive Staff meeting of each month. The meetings will provide opportunity to share knowledge and keep each other apprised of where we are as an agency.

Constituent Services/Public Information

Since the last Commission meeting the Executive Director's Office had 177 communications with various system constituents. These contacts included telephone communications; electronic and personal contacts with claimants or constituents, state agencies, federal agencies, attorneys, service providers, business partners; and letters with congressional offices.

2011-2012 State Appropriations Budget

The Office of State Budget has informed the Commission of a 10% decrease in the Commission's general appropriations budget for FY 2012. If approved, positions funded from the general fund will be transferred to earmarked funds to help with the 10% decrease. A hearing with the Senate Subcommittee is scheduled for March 24.

SCWCEA Medical Seminar

Chairman Beck, Commissioner Wilkerson, Commissioner Roche, and the Executive Director participated in the program of the SCWCEA Medical Conference on February 27 – March 1, 2011.

Other Meetings

The Executive Director participated in an IAIABC Forum via conference call to discuss current workers' compensation issues with 17 commissioners and/or administrators from other states and two staff members from IAIABC on February 17, 2011.

The Executive Director participated in a three hour IAIABC webinar about medical fee schedules on February 10 and February 24.

The Executive Director attended the House Labor, Commerce and Industry Subcommittee meeting March 3 and the House Labor, Commerce and Industry Committee meeting March 10.

Pending Legislation

H 3653 was introduced by Rep. Bill Sandifer, Chairman of the House Labor, Commerce and Industry Committee (HLCI). This bill was introduced at the request of One Call Medical, a company which provides radiology services. When it was introduced it was referred to the Judiciary Committee, not the Labor, Commerce and Industry Committee. Rather than recalling the bill from Judiciary to the House Floor and then recommit it to the HLCI Committee, Chairman Sandifer asked Rep. Tom Young to amend his bill H 3111 to include the language in H 3653. H 3111 requires insurance companies to use the most recent three years of expenses when requesting a change in the lost cost multiplier. Attached are copies of H 3653 and H 3111 including the language from H 3653.

H 3111 was amended and approved by the subcommittee two weeks ago. Last week the full LCI Committee recommitted it back to the subcommittee because the Department of Insurance had some issues with the language concerning the lost cost multiplier.

According to the representatives for One Call Medical, the intent of the legislation is to create a leveling effect to prevent huge variations in increases and/or decreases in different medical categories when we adopt the new rate schedules. Radiology and surgery received substantial decreases when we adopted the new physician fee schedule with the 2010 resource based relative value system (RBRVS) from Medicare. Prior to this the fee schedule was using Medicare's 2003 resource based relative values.

Chairman Beck and I have discussed the legislation. If enacted, defending any appeals to the administrative law judge (ALJ) may increase the cost of legal fees for the Commission. If the Commission decides to keep the increase below the 10% level, appeals to the ALJ will not be allowed. However, this action places artificial limits on any increases or decreases to any category and weakens the principle behind a RBRVS. This will in turn affect the increase or decrease of those categories which did not change

by 10%. I have communicated these concerns to Andy Fiffick, Staff Counsel for the HLCI.

Please let me know if you have additional concerns and I will forward them to the members of the HLCI.

I anticipate the subcommittee will meet again next week to consider the legislation. Most likely the subcommittee will approve the changes and vote it out for consideration by the full LCI Committee the following week.

Personnel Recruitment

Recruiting has begun for the Director of Insurance and Medical Services (Program Manager II) position in Insurance and Medical Services. The Commission received 103 applications.

Surgical Implant Advisory Committee

The first meeting of the Surgical Implant Advisory Committee is scheduled for Thursday, April 21, 2011 in the first floor conference room. At that time the Committee will develop a work strategy, identify policy, data resources, collection methodologies and outline the pro forma financial analysis needed to make a recommendation to the Commission.

Notice of Drafting Regulation 67-1302(A)

A Notice of Drafting was submitted March 11, 2011 to begin the process of notice of change in Regulation 67-1302(A) to allow flexibility of adopting fee schedules that are not relative value based and not limited to one conversion factor. The notice will be published in *The State Register* March 25, 2011.

SCWCC Claims Administration Workshops

The 2011 Claims Administration Workshops sponsored by the Commission are scheduled for May 5 and September 29, 2011.

SC Department of Vocational Rehabilitation

A meeting has been scheduled for March 23 with the Program Administrator at Voc Rehab to introduce Michelle Prevost, who will work with the Commission in developing a plan for referring workers' compensation claimants to their department.

Fines and Assessments Aging Report
Monthly Totals

Page 1

3/14/2011

Summary All Depts.

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June
Total	\$1,489,356	\$1,398,959	\$1,476,516	\$1,418,489	\$1,416,701	\$1,447,700	\$1,468,658	\$1,439,801				
Count	4,982	4,684	4,686	4,460	4,557	4,543	4,589	4,475				
> 91 Days	\$922,663	\$958,379	\$1,036,625	\$1,029,732	\$1,028,054	\$1,058,690	\$1,073,180	\$1,108,478				
Count	2,706	2,991	3,111	3,200	3,116	3,197	3,205	3,316				
61-90 Days	\$113,563	\$111,665	\$91,009	\$95,493	\$90,455	\$68,292	\$93,575	\$69,475				
Count	552	431	417	256	331	196	371	241				
31-60 Days	\$210,132	\$140,749	\$126,743	\$119,771	\$93,672	\$124,975	\$120,789	\$111,359				
Count	687	599	386	450	320	513	371	338				
< 30 days	\$240,942	\$188,166	\$222,139	\$173,493	\$204,520	\$197,743	\$181,114	\$150,489				
Count	1,037	663	772	554	790	637	642	580				
Of Fines Over 90 Days Old												
Orders	\$5,310	\$4,785	\$4,685	\$3,785	\$3,285	\$3,185	\$3,185	\$3,185				
Count	31	25	24	19	17	16	16	16				
Judgments	\$201,174	\$201,174	\$201,174	\$94,248	\$200,714	\$200,714	\$200,394	\$200,174				
Count	537	537	537	483	534	534	533	532				

Claims	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June
Division Total	\$936,013	\$879,038	\$895,763	\$844,993	\$871,303	\$863,803	\$877,283	\$854,128				
Count	4,512	4,231	4,319	4,095	4,174	4,148	4,210	4,105				
> 91 Days	\$517,963	\$567,113	\$588,563	\$610,393	\$597,403	\$614,353	\$612,433	\$634,778				
Count	2519	2768	2863	2959	2874	2955	2,946	3,053				
61-90 Days	\$100,350	\$76,950	\$83,050	\$49,050	\$65,500	\$35,100	\$73,100	\$45,750				
Count	487	367	397	227	319	169	345	218				
31-60 Days	\$121,200	\$115,775	\$76,850	\$86,900	\$57,500	\$99,400	\$69,850	\$66,100				
Count	567	554	344	429	279	474	334	313				
< 30 days	\$196,500	\$119,200	\$147,300	\$98,650	\$150,900	\$114,950	\$121,900	\$107,500				
Count	939	542	715	480	702	550	585	521				
Of Fines Over 90 Days Old												
Orders	\$5,310	\$4,785	\$4,685	\$3,785	\$3,285	\$3,185	\$3,185	\$3,185				
Count	31	25	24	19	17	16	16	16				
Judgments	\$94,468	\$94,468	\$94,468	\$94,248	\$94,008	\$94,008	\$93,688	\$93,468				
Count	484	484	484	483	481	481	480	479				

Compliance	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June
Division Total	\$471,195	\$435,738	\$478,294	\$488,181	\$468,853	\$510,153	\$521,492	\$519,664				
Count	135	127	137	148	144	156	158	169				
> 91 Days	\$382,785	\$359,495	\$365,865	\$355,525	\$377,495	\$394,293	\$408,068	\$420,278				
Count	111	108	110	110	114	115	122	125				
61-90 Days	\$370	\$16,940	\$4,400	\$38,588	\$23,448	\$26,370	\$15,960	\$21,539				
Count	1	4	2	7	4	8	6	12				
31-60 Days	\$64,675	\$16,715	\$39,588	\$30,178	\$29,150	\$18,960	\$46,580	\$42,259				
Count	12	6	7	7	11	8	15	10				
< 30 days	\$23,365	\$42,588	\$68,441	\$63,890	\$38,760	\$70,530	\$50,884	\$35,589				
Count	11	9	18	24	15	25	15	22				
Of Fines Over 90 Days Old												
Orders												
Count												
Judgments	\$106,706	\$106,706	\$106,706	\$106,706	\$106,706	\$106,706	\$106,706	\$106,706				
Count	53	53	53	53	53	53	53	53				

Coverage	July	August	Sept.	Oct.	Nov	Dec	Jan	Feb	Mar	April	May	June
Division Total	\$63,275	\$57,975	\$75,776	\$57,556	\$50,271	\$47,000	\$44,400	\$41,600				
Count	298	272	161	154	178	176	165	151				
> 91 Days	\$13,675	\$21,475	\$65,126	\$46,556	\$32,271	\$28,600	\$29,400	\$29,200				
Count	50	89	107	99	87	83	90	89				
61-90 Days	\$12,400	\$11,000	\$3,000	\$1,800	\$400	\$2,800	\$3,200	\$2,000				
Count	62	55	15	9	2	15	16	10				
31-60 Days	\$21,000	\$6,900	\$4,250	\$1,400	\$5,000	\$5,200	\$3,800	\$3,000				
Count	105	35	22	7	26	26	19	15				
< 30 days	\$16,200	\$18,600	\$3,400	\$7,800	\$12,600	\$10,400	\$8,000	\$7,400				
Count	81	93	17	39	63	52	40	37				
Of Fines Over 90 Days Old												
Orders												
Count												
Judgments												
Count												
Judicial	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June
Division Total	\$18,873	\$26,208	\$26,683	\$27,759	\$26,274	\$26,744	\$25,483	\$24,408				
Count	37	54	69	63	61	63	56	50				
> 91 Days	\$8,240	\$10,296	\$17,071	\$17,258	\$20,885	\$21,444	\$23,279	\$24,222				
Count	26	26	31	32	41	44	47	49				
61-90 Days	\$443	\$6,775	\$559	\$6,055	\$1,107	\$2,022	\$1,315	\$186				
Count	2	5	3	13	6	4	4	1				
31-60 Days	\$3,257	\$1,359	\$6,055	\$1,293	\$2,022	\$1,415	\$559	\$0				
Count	3	4	13	7	4	5	3	0				
< 30 days	\$4,877	\$7,778	\$2,998	\$3,153	\$2,260	\$1,863	\$330	\$0				
Count	6	19	22	11	10	10	2	0				

State of South Carolina

1333 Main Street, 5th Floor
P.O. Box 1715
Columbia, S.C. 29202-1715



TEL: (803) 737-5700
FAX: (803) 737-5764

Workers' Compensation Commission

TO: Workers' Compensation Commissioners

FROM: Gary M. Cannon

DATE: March 17, 2011

RE: Fines and Assessments – Process

Commissioner Huffstetler requested staff review the current processes and procedures used to assess fines for violations of the Commission's statutes and regulations and offer a recommendation for any improvements in making the process more efficient and effective.

Background

Section 42-3-105 of the SC Code of Laws authorizes the Commission to assess for each violation under the Workers' Compensation law and expend all revenues received as a result of the collections made from fines and penalties assessed.

Currently the Commission has 23 active assessments for violation of a Workers' Compensation statute or regulation. The violations include, but are not limited to failure to file an initial report of injury, periodic report of payments made, coverage and compliance violations, and failure to appear at an informal conference.

The system is automatically programmed to detect for Form 18, Form 12A and Late Coverage violations. Form 18 violation notices are sent out daily by a staff member. Assessment notices for 12A and Late Coverage violations are sent out bi-weekly by a staff member manually initiating the process. All other violation

assessments are discovered manually upon a case file review by an examiner. Assessment notices are mailed within 24 hours of the violation being assessed.

Assessments for Form 18 violations constitute the largest number of assessments made by the Commission. A Form 18 is required to be filed by the carrier every six months from the date of an injury. Violation of filing the Form 18 on time carries an assessment of \$200 per violation. For the period of July 1, 2010 through March 15, 2011 (8.5 months) we assessed 4,854 violations for a total of \$995,400 for failing to file a Form 18. Through March 15, 2011, 2,356 of these assessments have been paid.

In February 2010 we changed the process of assessing the Form 18 fines from bi-monthly to daily. The change resulted from our interest in capturing lost revenues from repeated violations and improvements to our Information Technology (IT) system. The improved system identifies cases where the Form 18 is not filed in a timely manner and automatically assesses a fine. A daily report is prepared, letters printed and mailed to the carriers. The carriers have 30 days to pay the assessment. For the 8.5 month period February 2010 to March 15, 2011 we have averaged 26.36 assessments per day. During the same period of time a total of 2,356 of these assessments were paid for an average of 12.79 per day.

Daily Assessment with Quarterly Notices

Due to the large number of Form 18 violations, we concentrated on Form 18 violations when considering changing the assessment from daily to quarterly. System programming changes, distribution of workload and impact on the business partners were three major considerations in changing the process.

System Programming

To change the process from a daily assessment and mailing to a daily assessment and quarterly mailing will require an estimate of 15 hours of staff time to make the necessary programming changes to capture the violation assessment on a daily basis, report the violations at the end of the quarter and prepare the assessment notices to the carriers. This amount of time is not insurmountable and could be accomplished without much difficulty.

Distribution of Workload

Because Form 18 violations are assessed and notices mailed daily, payments from carriers are received in a more evenly distributed manner. One staff person is responsible for processing the payments, crediting the claim invoice and forwarding to Finance for deposit. For the assessments made between July 1, 2010

and March 15, 2011, a total of 2,356 payments have been processed to date. This averages approximately 13 per day. Assessing the violations over a 3 month period and mailing them at the end of the three month period will create a spike in the number of payments received daily during the second month of the next quarter. Carriers have 30 days from the date of the assessment notice to pay the fine. Changing the process to daily assessment with quarterly notice will increase the workload of the staff processing of payments and may impact other duties and responsibilities during that specific time period.

Impact on Business Partners

Staff discussed the proposed change from daily assessment of Form 18 violations to daily assessment with quarterly notices with four of the larger insurance carriers. All reported some changes in their business processes would be required to accommodate, but processing multiple assessments accumulated over the previous quarter with one payment could be more efficient and reduce their expenses. Representatives of AIG expressed interest in serving as a pilot for this project.

Other Considerations

In April 2010 the Commission voted to delay assessing fines for a period of three months until the following fiscal year for budgetary considerations. While it is clear the intent of the Commission action was to delay assessments and not delay depositing collections, a misunderstanding resulted in deposits not made for fines assessed prior to the vote to delay assessments. As a result the Legislative Audit Council issued a finding that the action by the Commission violated state law (Proviso 89.1 of the 2009-10 State Appropriations Act and Section 11-13-120 of the SC Code of Laws). Upon receipt of this notification the Commission immediately ceased the practice and deposited all checks within three business days. Currently all checks are processed and deposited within three business days of receipt. The reported perception of interested parties was the Commission was attempting to “hide” money from the General Assembly.

In light of this perception, however widely held, making this change in our assessment notice process may be seen as another attempt to “hide” money from the General Assembly.

H 3653

H 3653 ● General Bill, By Sandifer

A BILL TO AMEND SECTION 42-15-90, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE MANDATORY APPROVAL OF CERTAIN ATTORNEY AND PHYSICIAN FEES BY THE WORKERS COMPENSATION COMMISSION, SO AS TO PROVIDE FOR THE ADOPTION AND ADJUSTMENT OF FEE SCHEDULES BY THE COMMISSION, TO PROVIDE FOR THE ADJUSTMENT OF PROPOSED FEE SCHEDULES BY THE COMMISSION, AND TO PROVIDE FOR AN APPEAL PROCESS FROM A DECISION OF THE COMMISSION CONCERNING A FEE SCHEDULE.

02/10/11 House Introduced and read first time (House Journal-page 5)

02/10/11 House Referred to Committee on Judiciary

TO AMEND SECTION 42-15-90, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE MANDATORY APPROVAL OF CERTAIN ATTORNEY AND PHYSICIAN FEES BY THE WORKERS COMPENSATION COMMISSION, SO AS TO PROVIDE FOR THE ADOPTION AND ADJUSTMENT OF FEE SCHEDULES BY THE COMMISSION, TO PROVIDE FOR THE ADJUSTMENT OF PROPOSED FEE SCHEDULES BY THE COMMISSION, AND TO PROVIDE FOR AN APPEAL PROCESS FROM A DECISION OF THE COMMISSION CONCERNING A FEE SCHEDULE.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 42-15-90 of the 1976 Code is amended to read:

"Section 42-15-90. (A) ~~Fees for attorneys and physicians~~ Attorney fees, physician fees, and charges of hospitals ~~hospital charges~~ for services under this title ~~shall be~~ are subject to the approval of the commission; ~~but no a physician or hospital shall be entitled to~~ may not collect fees a fee from an employer or insurance carrier until ~~he the physician or hospital~~ has made the reports required by the commission in connection with the case.

~~(B)(1) Any person who receives any fee or other consideration or any gratuity on account of services so rendered, unless such consideration or gratuity is approved by the Commission or such court or who makes it a business to solicit employment for a lawyer or for himself in respect of any claim or award for compensation shall be guilty of a misdemeanor and, upon conviction thereof, shall, for each offense, be punished by a fine of not more than five hundred dollars or by imprisonment not to exceed one year, or by both such fine and imprisonment. A person may not:~~

(a) receive a fee, gratuity, or other consideration for a service rendered pursuant to this title unless the fee, gratuity, or other consideration is approved by the commission or a court of competent jurisdiction; or

(b) make it a business to solicit employment for an attorney or himself with respect to a claim or award for compensation under this title.

(2) A violation of this section constitutes a misdemeanor and, upon conviction, each offense is subject to a fine not more than five hundred dollars, imprisonment for not more than one year, or both.

(C)(1) The commission may adopt criteria to establish a new fee schedule or adjust an existing fee schedule based in whole or in part on the requirements of a federally funded program, but if it adopts adjustments to an existing fee schedule, it must adopt these adjustments on an annual basis. The commission shall review a proposed adjustment to increase or reduce these fees by more than ten percent annually to determine whether to:

(a) increase or reduce the proposed adjustment as the commission considers appropriate; or

(b) accept the proposed adjustment.

(2)(a) A decision of the commission to increase or reduce a fee schedule is reviewable by expedited appeal to the Administrative Law Court pursuant to the Administrative Procedures Act.

(b) On appeal, the court may:

(i) accept the increase or decrease;

(ii) impose a lesser increase or decrease;

(iii) revert the fee schedule to as it was immediately prior to the annual adjustment;

(iv) adjust the appropriate conversion factors as necessary; or

(v) make other adjustments the court considers reasonable.

(c) The court shall issue a decision within ninety days after it receives the appeal.

(d) During the pendency of this appeal, the portion of the fee schedule under review must remain the same as it was immediately prior to the proposed changes, but all other portions of the fee schedule or conversion factors are effective and remain unchanged."

SECTION 2. This act takes effect upon approval by the Governor.

South Carolina General Assembly
119th Session, 2011-2012

H. 3111

STATUS INFORMATION

General Bill

Sponsors: Rep. Young

Document Path: I:\council\bills\agm\18200ab11.docx

Introduced in the House on January 11, 2011

Currently residing in the House Committee on **Labor, Commerce and Industry**

Summary: Workers' compensation policies

HISTORY OF LEGISLATIVE ACTIONS

Date	Body	Action Description with journal page number
12/7/2010	House	Prefiled
12/7/2010	House	Referred to Committee on Labor, Commerce and Industry
1/11/2011	House	Introduced and read first time (<u>House Journal-page 49</u>)
1/11/2011	House	Referred to Committee on Labor, Commerce and Industry (<u>House Journal-page 49</u>)

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VERSIONS OF THIS BILL

12/7/2010

1
2
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9 **A BILL**

10
11 TO AMEND SECTION 38-73-525, CODE OF LAWS OF
12 SOUTH CAROLINA, 1976, RELATING TO THE
13 REQUIREMENT THAT AN INSURER WRITING A
14 WORKERS' COMPENSATION POLICY SHALL FILE
15 CERTAIN INFORMATION ON WHICH IT RELIES TO
16 SUPPORT ITS RATE REQUEST, SO AS TO REQUIRE THE
17 INSURER TO ADOPT THE MOST RECENT LOSS COST
18 WITHIN ONE HUNDRED TWENTY DAYS OF APPROVAL
19 OF THE LOSS COSTS; AND TO AMEND SECTION
20 38-73-1210, RELATING TO THE REQUIREMENT THAT ITS
21 OBLIGATION TO MAKE CERTAIN FILINGS MAY BE
22 SATISFIED BY MAKING FILINGS AS A MEMBER OF, OR
23 SUBSCRIBER TO, A LICENSED RATING ORGANIZATION
24 THAT MAKES FILINGS, SO AS TO REQUIRE THESE
25 FILINGS BE RULE AND FORM FILINGS AND NOT LOSS
26 COST ADOPTION FILINGS, AND REQUIRE THE INSURER
27 TO FILE FOR CERTAIN APPROVAL IF THE RATING
28 ORGANIZATION TO WHICH IT SUBSCRIBES HAS A RATE
29 INCREASE WITHIN TWELVE MONTHS AFTER THE
30 INSURER BECOMES A MEMBER.

31
32 Be it enacted by the General Assembly of the State of South
33 Carolina:

34
35 SECTION 1. Section 38-73-525 of the 1976 Code, as added by
36 Act 111 of 2007, is amended to read:

37
38 "Section 38-73-525. (A) At least ~~thirty~~ sixty days ~~prior to~~
39 before using new rates, ~~every~~ each insurer writing workers'
40 compensation ~~must~~ shall file its multiplier for expenses,
41 assessments, profit, and contingencies and any information relied
42 upon by the insurer to support the multiplier and any modifications

1 to loss costs and confirm the adoption of the most recently
2 approved loss cost. Each insurer writing workers' compensation
3 insurance shall adopt the most recent loss cost within one hundred
4 twenty days of approval of the loss costs. If the insurer is not
5 using the most recent loss cost, the insurer shall file to adopt the
6 most recently approved loss cost when it submits its loss cost
7 multiplier filing. This filing is subject to the approval of the
8 director or his designee. A copy of the filing must be provided
9 simultaneously to the Consumer Advocate. The filing must
10 contain, at a minimum, the following information: commission
11 expense; other acquisition expense; general expense; expenses
12 associated with recoveries from the Second Injury Fund; guaranty
13 fund assessments; other assessments; premium taxes;
14 miscellaneous taxes, licenses, or fees; and provision for profit and
15 contingencies; and the date of approval of the loss cost to which
16 the multiplier is applied, which must be the most recently approved
17 loss cost. Rate filings must be reviewed by an actuary employed
18 or retained by the department who is a member of the American
19 Academy of Actuaries or an associate or fellow of the Casualty
20 Actuarial Society. Within the ~~thirty-day~~ sixty-day period, if the
21 director or his ~~or her~~ designee believes the information filed is not
22 complete, the director or his ~~or her~~ designee ~~must~~ shall notify the
23 insurer of additional information to be provided. Within fifteen
24 days of receipt of the notification, the insurer ~~must~~ shall provide
25 the requested information or file for a hearing challenging the
26 reasonableness of the director's or his ~~or her~~ designee's request.
27 The burden is on the insurer to justify the denial of the additional
28 information.

29 (B) Unless a hearing has been requested, upon expiration of the
30 ~~thirty-day~~ sixty-day period or the fifteen-day period, whichever is
31 later, the insurer may use the rates developed ~~using the multiplier~~
32 ~~of expenses, assessments, profit, and contingencies~~ using the most
33 recently approved loss costs and loss cost multiplier.”

34
35 SECTION 2. Section 38-73-1210 of the 1976 Code is amended to
36 read:

37
38 “Section 38-73-1210. (A) An insurer may satisfy its
39 obligation to make required rule and form filings, not loss cost
40 adoption filings, by becoming a member of, or a subscriber to, a
41 licensed rating organization which makes filings and by
42 authorizing the director or his designee to accept the filings on its
43 behalf. However, notwithstanding any other provisions of this

1 article, ~~no~~ a member or subscriber ~~may~~, within twelve months after
2 its membership or subscribership, may not file to adopt any a rate
3 approved for use for the rating organization if the rate is more than
4 the rate in use by the member or subscriber ~~prior to~~ before its
5 membership or subscribership in the rating organization. Further,
6 notwithstanding the provisions of Sections 38-73-1300,
7 38-73-1310, and 38-73-1320, ~~no~~ a member or subscriber, within
8 twelve months after its membership or subscribership, may not be
9 granted an upward deviation from its rate in use when becoming a
10 member or subscriber. However, if a rate increase for the rating
11 organization is approved within twelve months after an insurer
12 becomes a member or subscriber, the member or subscriber ~~may~~
13 ~~increase its rates by the same percentage of increase granted the~~
14 rating organization shall file for approval of (1) the most recent
15 loss cost within one hundred twenty days of approval of the loss
16 cost, and (2) the loss cost multiplier that is applied to develop the
17 rates. This filing is subject to the approval of the director or his
18 designee. Nothing contained in this chapter may be construed as
19 requiring ~~any~~ an insurer to become a member of or a subscriber to
20 ~~any a~~ rating organization.

21 (B) In addition to other activities not prohibited by this chapter,
22 a rating organization may collect, compile, and disseminate to
23 insurers compilations of past and current premiums of insurers.”
24

25 SECTION 3. Section 42-15-90 of the 1976 Code is amended to
26 read:

27
28 “Section 42-15-90. ~~(A) Fees for attorneys and physicians~~
29 Attorney fees, physician fees, and charges of hospitals hospital
30 charges for services under this title ~~shall be~~ are subject to the
31 approval of the commission, ~~but no a~~ physician or hospital ~~shall~~
32 ~~be entitled to~~ may not collect fees a fee from an employer or
33 insurance carrier until ~~he~~ the physician or hospital has made the
34 reports required by the commission in connection with the case.

35 ~~(B)(1) Any person who receives any fee or other consideration~~
36 ~~or any gratuity on account of services so rendered, unless such~~
37 ~~consideration or gratuity is approved by the Commission or such~~
38 ~~court or who makes it a business to solicit employment for a~~
39 ~~lawyer or for himself in respect of any claim or award for~~
40 ~~compensation shall be guilty of a misdemeanor and, upon~~
41 ~~conviction thereof, shall, for each offense, be punished by a fine of~~
42 ~~not more than five hundred dollars or by imprisonment not to~~

~~exceed one year, or by both such fine and imprisonment. A person may not:~~

~~(a) receive a fee, gratuity, or other consideration for a service rendered pursuant to this title unless the fee, gratuity, or other consideration is approved by the commission or a court of competent jurisdiction; or~~

~~(b) make it a business to solicit employment for an attorney or himself with respect to a claim or award for compensation under this title.~~

~~(2) A violation of this section constitutes a misdemeanor and, upon conviction, each offense is subject to a fine not more than five hundred dollars, imprisonment for not more than one year, or both.~~

~~(C)(1) The commission may adopt criteria to establish a new medical fee schedule or adjust an existing medical fee schedule based in whole or in part on the requirements of a federally funded program, but if it adopts adjustments to an existing medical fee schedule, it must adopt these adjustments on an annual basis. The commission shall review a proposed adjustment to increase or reduce fees for a specific category of medical services by more than ten percent annually to determine whether to:~~

~~(a) increase or reduce the proposed adjustment as the commission considers appropriate; or~~

~~(b) accept the proposed adjustment.~~

~~(2)(a) Upon petition by a medical provider rendering services in a category of medical services affected by decision of the commission under subsection (C)(1), the affecting decision is reviewable by expedited appeal to the Administrative Law Court pursuant to the Administrative Procedures Act.~~

~~(b) On appeal, the court may:~~

~~(i) accept the increase or decrease;~~

~~(ii) impose a lesser increase or decrease;~~

~~(iii) revert the category of medical services to as it was immediately prior to the annual adjustment;~~

~~(iv) adjust the appropriate conversion factors as necessary; or~~

~~(v) make other adjustments the court considers reasonable.~~

~~(c) The court shall issue a decision within ninety days after it receives the appeal.~~

~~(d) During the pendency of this appeal, the fees for a specific category of medical services under review must remain the same as it was immediately prior to the proposed changes, but all~~

1 other portions of the medical fee schedule or conversion factors are
2 effective and remain unchanged.”
3 SECTION 4. This act takes effect upon approval by the Governor.
4 ----XX----
5

SCWCC MSPM 2010

SECTION 10

Pharmacy

This section stipulates only those policies and procedures that are unique to Pharmacy. Additional policy and procedures that apply to all providers are listed in Part I of this manual.

Payment for prescription drugs is limited to the amount established by the following formula, or by the pharmacist's or health care provider's usual and customary charge, whichever is less. The formula applies to both brand name and generic drugs. However, all prescriptions must be filled using generic drugs, if available, unless the authorized treating physician directs that it be dispensed as written.

Average Wholesale Price + \$5.00

The *Red Book* published by Thomson Reuters may be used as the source for the average wholesale price (AWP) with the AWP based on the date the prescription was dispensed. All bills under this section shall be itemized for proper reimbursement. Any issue arising as to the source of average wholesale price may be administratively reviewed by the Commission's Medical Services Division.

Any medication or drugs not specifically prescribed by the treating physician shall not be reimbursed. In the event the treating physician recommends and/or prescribes a particular drug or medication that can be purchased over-the-counter (without a prescription), and the injured employee pays for the drug or medication, the injured employee is entitled to reimbursement for the purchase upon submission of the appropriate receipts to the employer/insurance carrier.

The price determined by the formula will be the maximum allowable payment a provider can be paid under the Workers' Compensation Act. In instances where the pharmacy's charge is lower than the maximum allowable payment, or where the pharmacy has agreed by contract with the employer or insurance carrier to accept discounts or fees lower than the maximum allowable amount, payment is made at the lower amount.

**REGULATING
REPACKAGED DRUGS IN
SOUTH CAROLINA**

**Prepared by Southern Strategy Group
Columbia, SC**

March 21, 2011

**REGULATING
REPACKAGED DRUGS IN
SOUTH CAROLINA**

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Tab

A

REPACKAGED DRUGS

BACKGROUND

Physician dispensed "repackaged drugs" is a recent and growing trend seen in some states, especially in the workers compensation area. These are drugs that repackagers have purchased in bulk from the original manufacturer and repackaged into individual prescription sizes for physician office dispensing.

The repackaged drugs phenomenon has been introduced by physicians dispensing management companies, who either repackage or work with a repackager, as an additional revenue stream for dispensing physicians. As stated in a publication entitled *MDOptions* ("New Sources of Revenue Open Up Possibilities", February 15, 2002):

One option for new ancillary revenue is office dispensing of medication....Several companies...have developed software that permits physicians to stock a limited inventory of drugs in their offices and to dispense these medications for a profit of \$2 to \$6 per prescription. The additional revenue ranges from \$8,000 to \$90,000 per physician, depending on the system and the number of prescriptions written.

Workers compensation payers typically reimburse for prescription costs based on a factor of the drug's "Average Wholesale Price" (AWP). The AWP is self-reported original manufacturer data compiled by commercial publishers of drug pricing data, such as Thomson Medical Economics, the publisher of *Red Book*.

PROBLEM

South Carolina's Pharmacy Fee Schedule in essence establishes a reimbursement formula based on the AWP on the date the prescription is dispensed, plus a dispensing fee of \$5.00. The Federal Drug Listing Act classifies repackagers as manufacturers so they are permitted to relabel these repackaged drugs with a new National Drug Code (NDC) number. The problem with repackaged drugs is that the repackager, having its own NDC number, will establish a new AWP, usually at a much higher price than that established by the original manufacturer. As such, the price of repackaged drugs is not regulated in South Carolina.

SOLUTION

South Carolina's Pharmacy Fee Schedule should be amended to make clear that the AWP referred to means the AWP established by the original manufacturer of the drug, and not the repackager.

DISCUSSION

The increased costs of repackaged drugs have been studied in a number of states, which has led to corrective legislation or amended pharmacy fee schedules. (See, for example, the states of CA, FLA (legislation vetoed by governor), LA, MS and AZ).

The Workers Compensation Research Institute (WCRI) has recently published "prescription benchmarks" for the states of Louisiana and Florida.

Florida:

The WCRI study found that the average payment per claim for prescription drugs in the state's workers' compensation system was \$565, which was 38% higher than the median of the study states.

The study determined that the main reason for the higher prescription costs was that some physicians wrote prescriptions and dispensed the medications directly to their patients. When physicians dispensed prescription drugs, they often were paid much more than pharmacies for the same prescription. For example, the study noted that doctors collected an average of 96 cents per pill for the painkiller Vicodin, while Florida pharmacies collected 46 cents. They charged an average of \$2.22 per pill for the painkiller Percocet, while pharmacies collected 85 cents—a 155% difference. Soma, the muscle relaxer, represented the biggest difference in the study. Workers who bought the drug from Florida doctors paid an average of \$3.05 per pill versus the 62 cent average for pharmacies—a difference of 392%.

The WCRI study also found that some Florida physicians wrote prescriptions more often for certain drugs that were especially profitable. For example, the muscle relaxant Soma was prescribed for 11% of Florida's injured workers, compared to 2-4% in most other study states.

WCRI also noted that prices paid to Florida pharmacies were at the median of the study states, due to the state's pharmacy fee schedule, which is set at the level of the Average Wholesale Price.

Based on a little known section of Florida law, the Miami-Dade County Public Schools recently announced that it would no longer pay the physician's price for physician dispensed repackaged drugs, and it expected to save \$700,000 in Workers Compensation drug costs in the first year.

Louisiana:

The WCRI benchmark study for Louisiana (March, 2010) found that the average payment per claim for prescription drugs was \$721—75% higher than the median. Among the reasons given was the much higher costs of physician-issued repackaged drugs.

The study indicated that physicians dispensed 9% of all prescriptions and 23% of workers received physician-dispensed prescriptions. When physicians dispensed, they were often paid higher prices. The price per pill paid to physicians was approximately 30-60% higher, for some common drugs used in Louisiana, than the prices paid to pharmacies for the same prescription. The price difference was much higher for other drugs—for example, the price paid per pill for Soma was \$3.22 if dispensed by a physician, but only 99 cents if dispensed at a retail pharmacy.

Other States:

- The Mississippi Workers Compensation Commission approved a 2010 Medical Fee Schedule, effective July 1, that caps the price for a repackaged or physician-dispensed medication at the AWP used by the original manufacturers—not secondary codes assigned by drug repackaging houses before they sell the drugs to Mississippi doctors; the schedule also allows a \$5.00 dispensing fee.
- California revised its fee schedule in 2007 to require that repackaged medications be reimbursed at the same level provided in the California fee schedule for pharmacy-issued medications.
- In September 2009, the Arizona Industrial Commission revised its fee schedule to require that drugs be billed at original AWP levels regardless of where the prescriptions were dispensed; the schedule allows a \$7.00 dispensing fee.

South Carolina Data

While there is no WCRI benchmark for South Carolina, one major insurance company writing workers compensation insurance analyzed its internal South Carolina data from the period of August 2009 to July 2010. The study included a total of 1,311 patients who received a total of 1,998 prescriptions for physician-issued repackaged drugs. The total dollar value of these prescriptions was \$216,000. The study found that the cost of some repackaged drugs was as much as 354% over the Average Wholesale Price.

SUGGESTED AMENDMENT

It is suggested that the following language taken from Florida House Bill HB 5603 (2010) be inserted into the existing South Carolina fee schedule following the sentence that reads "The *Red Book* published by Thomson Reuters may be used as the source for the average wholesale price (AWP) with the AWP based on the date the prescription was dispensed."

The reimbursement amount for a drug that has been repackaged or relabeled shall be calculated by multiplying the number of units dispensed times the per-unit average wholesale price set by the original manufacturer of the underlying drug, which shall not be the manufacturer of the repackaged or relabeled drug, plus \$5.00, except when the carrier has contracted for a lower amount. In no case shall the repackaged or relabeled drug price exceed the amount otherwise payable had the drug not been repackaged or relabeled.

Tab B



Property Casualty Insurers
Association of America
Shaping the Future of American Insurance

KEITH T. BATEMAN
VICE PRESIDENT,
WORKERS COMPENSATION

January 17, 2011

Mr. Gary M. Cannon
Executive Director
South Carolina Workers Compensation Commission
P.O. Box 1715
Columbia, SC 29202-1715

RE: Repackaged Drugs and the Pharmacy Fee Schedule

Dear Mr. Cannon:

On behalf of our members who write over 40% of the workers compensation premium in South Carolina, the Property Casualty Insurers Association of America urges the Commission to amend its pharmacy fee schedule to clarify that the average wholesale price to be used in calculating the fee schedule payment shall be that of the original manufacturer of the drug, not the new NDC assigned to that product by the repackager. While the Federal Drug Listing Act of 1972 treats the company that breaks down a large bottle of the drug into many smaller bottles as the manufacturer with the ability to assign a new NDC number to it and post its own average wholesale price (AWP), an increasing number of states recognize that repackaging is being used to get around pharmacy fee schedule reimbursements to increase the price of the drug. This increases the cost of workers compensation for employers without providing any benefit to injured workers.

Repackaged drugs can, in most states, be dispensed by a physician or a pharmacy. However, about three-quarters of repackaged drug costs in workers compensation come from repackaged drugs dispensed by physicians.

While there may be legitimate reasons for physician dispensing of drugs and for repackaging drugs, it is clear in the workers compensation setting the primary reason is profit. This was first recognized as a significant source of unnecessary cost in California. Firms that either were repackagers or firms that specialized in setting up doctors offices to dispense repackaged drugs and bill for them began selling doctors on the practice profit to be made by repackaging drugs. A July 2006 study of physician-dispensing of repackaged drugs by the California Commission on Health and Safety and Workers Compensation found that over one-half of total workers compensation drug costs were going to physician dispensed drug costs. The same study revealed that these physician dispensed drugs, on average, cost 490 percent of what was paid to pharmacies. The most common physician-dispensed drug was a generic form of Zantac which, on average, cost over 1700 percent of what pharmacies received for the same product. Eventually, California by rule required that the physician dispensed repackaged drug be reimbursed at the same rate paid to pharmacies. Physician dispensing then declined significantly.

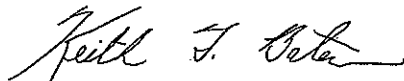
However, studies by the WCRI and NCCI have shown that physician dispensing of repackaged drugs has spread to other states. The 2010 update of NCCI's Workers Compensation Prescription Drug Study found that the dollars going to physician dispensed drugs tripled between 2007 and 2008 in South Carolina, where over 15 percent of the workers compensation pharmaceutical dollar is for physician dispensed drugs. The NCCI compared the average price of non-repackaged

pharmacy dispensed drugs in South Carolina to the average price of repackaged drugs dispensed by physicians and pharmacies. Both were around double the price of the non-repackaged drug.

Before the problem gets worse, the Property Casualty Insurers Association of America urges the Commission to take action to limit reimbursement of repackaged drugs to that made for the original manufacturer's NDC. The Commission may wish to look at the rules adopted by the Mississippi Workers Compensation Agency that address not only repackaging but also compound drugs. Subsequent to its action on repackaged drugs, California has seen growth in the use of compound drugs and the combining of a drug with a "medical food" into a "Convenience Pack" as ways of avoiding the original manufacturer's NDC number.

If you would like additional information or would like to discuss these issues with us in greater detail, please do not hesitate to contact our local counsel, Robert Herlong; our regional government affairs person based in Atlanta, Michaela Isler; or me.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Keith T. Bateman".

Keith T. Bateman

KTB:sk

Tab C



American Insurance Association

2101 L Street NW

Suite 400

Washington, DC 20037

202-828-7100

Fax 202-293-1219

www.aiadc.org

January 17, 2011

Mr. Gary M. Cannon
Executive Director
South Carolina Workers Compensation Commission
P.O. Box 1715
Columbia, SC 29202-1715

Re: Repackaged Drugs and the Pharmacy Fee Schedule

Dear Mr. Cannon:

The American Insurance Association (AIA) joins the Property Casualty Insurers Association of America (PCIAA) in urging the Commission to amend its pharmacy fee schedule to clarify that the average wholesale price (AWP) to be used in calculating pharmaceutical fee schedule payments shall be that of the original manufacturer of the drug, not the new National Drug Code (NDC) assigned to that product by the repackager. This amendment would eliminate unnecessary workers' compensation costs while protecting injured workers from profit-driven over-prescription of medication.

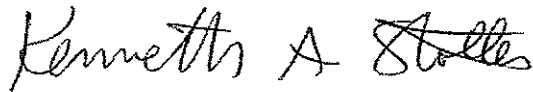
Physician dispensing of "repackaged" medications – encouraged by drug repackaging entities who explicitly market their services as a way for physicians to increase profits – is simply a way to evade the statutory fee schedule for prescription drugs and charge several times what a pharmacy dispensing the same medication would charge. The repackaging problem first arose in California a few years ago, where studies showed that physician dispensing in workers' compensation claims accounted for 30% of all prescriptions and 50% of prescription costs, with an average mark-up of 490% and some mark-ups exceeding 1000%. In 2006, California took regulatory action to close the repackaging loophole, and the results have been very positive. However, repackaging remains problematic in many states, with nearby Florida being the worst offender, according to studies performed by the National Council on Compensation Insurance (NCCI) and the Workers' Compensation Research Institute (WCRI). The Florida Legislature passed a bill last year that would have eliminated the profit motive in repackaging, but the bill was unfortunately vetoed by then-Governor Crist.

Using the original drug manufacturer's AWP instead of the new NDC assigned by the repackager would follow California's positive example in closing the repackaging loophole and reining in excessive costs and unnecessary prescriptions. It is important to note that this would not prohibit physicians from dispensing medications to injured

workers. Rather, it would simply subject those medications to the generally applicable fee schedule. The notion that eliminating these exorbitant mark-ups will effectively prohibit physicians from promptly dispensing "life-saving" medications to injured workers has been undermined by studies performed by NCCI and WCRI which found that the most commonly physician-dispensed drugs are antacids, muscle relaxants, anti-inflammatories, and mild painkillers. According to WCRI, Florida and Maryland (where there are also large dispensing mark-ups) are the only states in which Zantac is prescribed to any meaningful extent, and muscle relaxants are prescribed more often when dispensed by physicians.

We believe the adoption of this amendment would benefit both employers and injured workers. If you have any questions, please feel free to call me at (202) 828-7167.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth A. Stoller". The signature is written in dark ink and is positioned above the printed name.

Kenneth A. Stoller
Senior Counsel

Tab D



NCCI Holdings, Inc.

NCCI RESEARCH BRIEF

January 2011

by Barry Lipson, Chris Lewis, and Linda H.

WORKERS COMPENSATION PRESCRIPTION DRUG STUDY 2010 UPDATE

The volume of prescription drugs dispensed by physicians to workers compensation (WC) claimants has risen sharply in recent years—putting upward pressure on WC costs. This study investigates this and other issues associated with WC prescription drug (Rx) costs.

KEY FINDINGS

- WC costs due to physician-dispensed drugs rose dramatically in 2008.
- Three-fourths of WC repackaged drug costs originate from physicians.
- Lower than expected emergence of Rx costs has prompted us to lower our projected ultimate Rx share of total medical from 19% to 18%.
- After two seemingly abnormal years in which price change was the dominant factor affecting per-claim WC Rx cost increases, utilization change has once again taken its historically dominant role.
- OXYCONTIN® has become the top prescribed (in terms of paid dollars) WC Rx. A successful patent defense, which resulted in the removal of the extended release generic version of OXYCONTIN® from the market, is likely the major contributing factor.

In addition to a new look at physician-dispensed drugs, we have updated prior analyses for:

- The prescription drug share of total medical costs by injury year^a
- Changes in price, utilization, and cost
- Prescribing patterns
- Drug rankings by overall cost

HISTORICAL BACKGROUND

Prescription drugs have been a significant driver of WC medical costs for many years. NCCI first examined WC Rx issues in 2003 and found that utilization (as opposed to price) increases were the significant force behind Rx cost increases at that time. In 2007, NCCI found that state cost differences were driven mostly by the mix of drugs prescribed (as opposed to price or number of scripts). Several drugs, such as ACTIQ® and MOBIC® have shown significant changes in market share over the course of these prior studies. For further historical details, please see our previous five studies—available for download at ncci.com.

STUDY DATA

The data used in this study is for services provided between 1996 and 2008 on injuries that occurred between 1994 and 2008, evaluated^b as of July 1, 2009. "Prescription drug," as used in this study, is defined as a drug identified with a National Drug Code (NDC) or a carrier-specialized drug code.

Drug costs that are bundled with other services and included in codes such as Hospital Revenue Codes, Healthcare Common Procedure Code System (HCPCS), or Current Procedural Terminology (CPT) were not included in this study.

PHYSICIAN-DISPENSED AND REPACKAGED DRUGS**National View**

Usually when a doctor prescribes a drug for a patient, the patient purchases the drug from a pharmacy. But sometimes the doctor fills the prescription in their own office. Some reasons for this include:

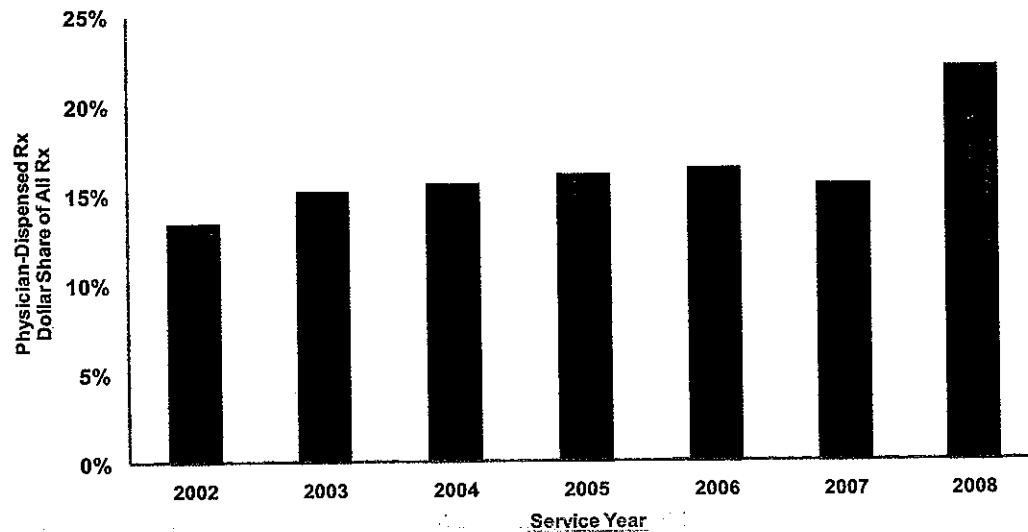
1. The physician wants the patient to start taking the drug immediately and dispenses enough medication to last until the patient can get to a pharmacy,
2. The physician cannot be sure what the right medication or dosage should be, and dispenses a few days' supply of medication to determine whether that course is effective,
3. It might be inconvenient for the patient to get to a pharmacy, or
4. The physician is looking to increase revenue by retaining some of the business he would otherwise send to pharmacies.

The cost per unit of physician-dispensed drugs is often higher than the cost per unit of the same drug dispensed by a pharmacy. Factors contributing to lower per unit costs for drugs supplied by pharmacies are the economies of scale and the fact that they often provide a larger quantity of drugs per transaction.

WC drug costs have always included some cost for physician-dispensed drugs. Recently, we have seen a sharp increase in these costs in almost every state.

Exhibit 1 shows, by service year,^c the percentage of WC Rx dollars due to physician dispensing. In Service Year 2008, there is a dramatic increase in the portion of drug dollars associated with drugs dispensed by physicians.

Physician Dispensing Increased in Service Year 2008

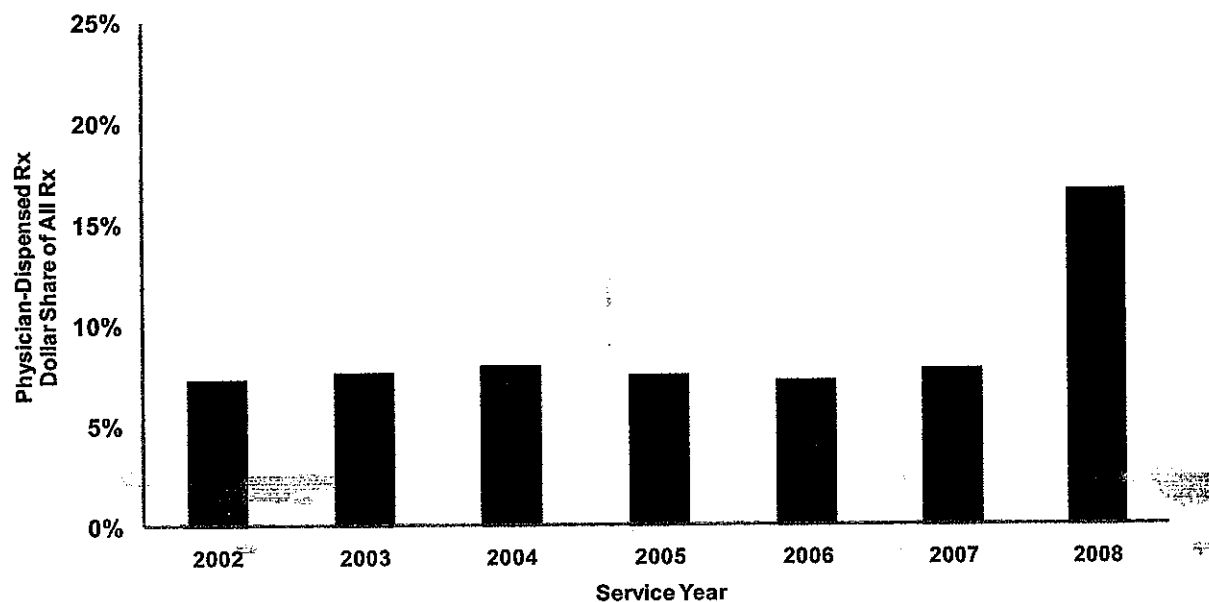


Source: Derived from sample data provided by carriers
1st through 9th relative service year
Aggregation of states where NCCI provides ratemaking services, excl. WV, plus: CA, DE, MA, MI, MN, NJ, NY, PA, and WI

Exhibit 1

California is a large state and, through 2007, had an unusually large share of WC drug costs due to physician-dispensed drugs. As such, California has a big impact on countrywide statistics. Exhibit 2 excludes California and shows an even more dramatic increase for the remaining states.

Physician Dispensing Increased Even More, Excluding California



Source: Derived from sample data provided by carriers
1st through 9th relative service year

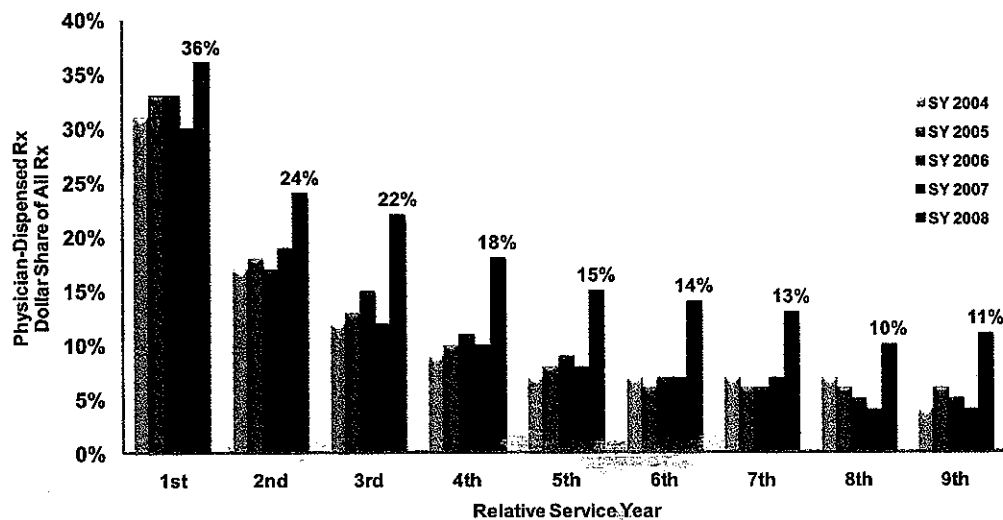
Aggregation of states where NCCI provides ratemaking services, excl. WV, plus DE, MA, MI, MN, NJ, NY, PA, and WI

Exhibit 2

Exhibit 3 examines the increase in physician dispensing across claim age and illustrates two important points:

1. The portion of Rx costs due to physician-dispensed Rx decreases as claims age. The decline as one moves between groupings from left to right illustrates this.
2. Older and newer claims alike are experiencing an increase in Rx costs due to physician dispensing. The increase in Service Year 2008 within each grouping illustrates this.

Physicians Have Started to Dispense Drugs for Both Newer and Older Claims



Source: Derived from sample data provided by carriers
 Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI

Exhibit 3

Regional View

The Service Year 2008 increase in physician dispensing illustrated by earlier exhibits is occurring in almost every state. Exhibits 4 through 6 show the trend in the portion of paid Rx dollars resulting from physician dispensing for Service Years 2006 through 2008 for states with:

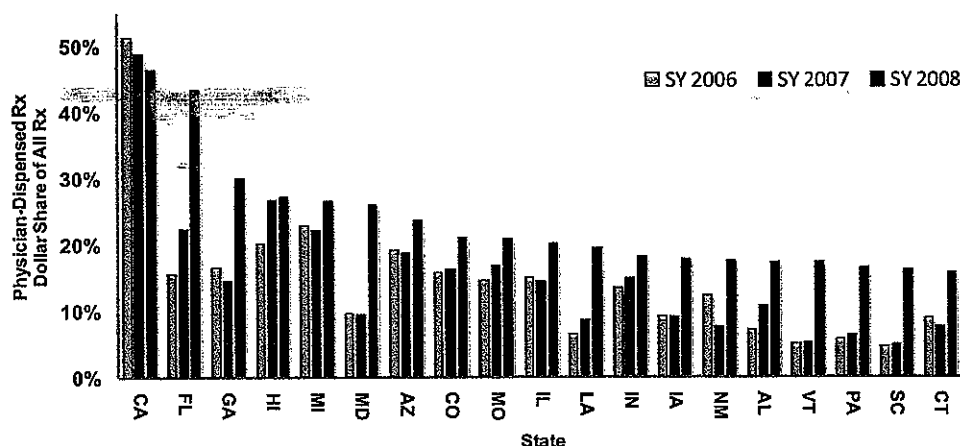
- Higher than typical ($> 15.5\%$) physician dispensing shares in 2008
- Typical ($\leq 15.5\%$ and $\geq 10.5\%$) physician dispensing shares in 2008
- Lower than typical ($< 10.5\%$) physician dispensing shares in 2008

While California (Exhibit 4) has shown some decrease over these three years, it remains the state with the highest physician dispensing rate. Oregon (Exhibit 5) also shows a decreasing dispensing rate. These two states are detailed in later exhibits.

Exhibit 7 summarizes the physician dispensing rate by state for Service Year 2008.

Physician Dispensing Increased in Service Year 2008 for Most States

Higher Share States

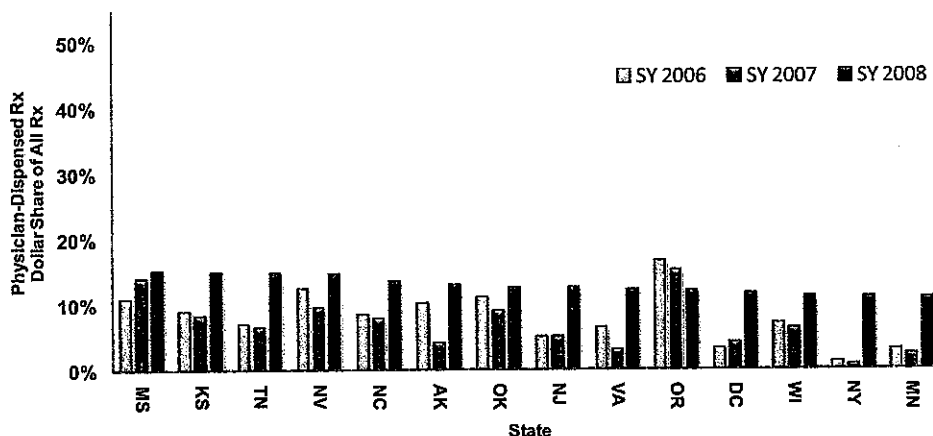


Source: Derived from sample data provided by carriers
 1st through 9th relative service year
 Statistics are based on at least \$130,000 paid Rx for each state service year combination
 Service years are arranged in increasing order from left to right

Exhibit 4

Physician Dispensing Increased in Service Year 2008 for Most States

Typical Share States

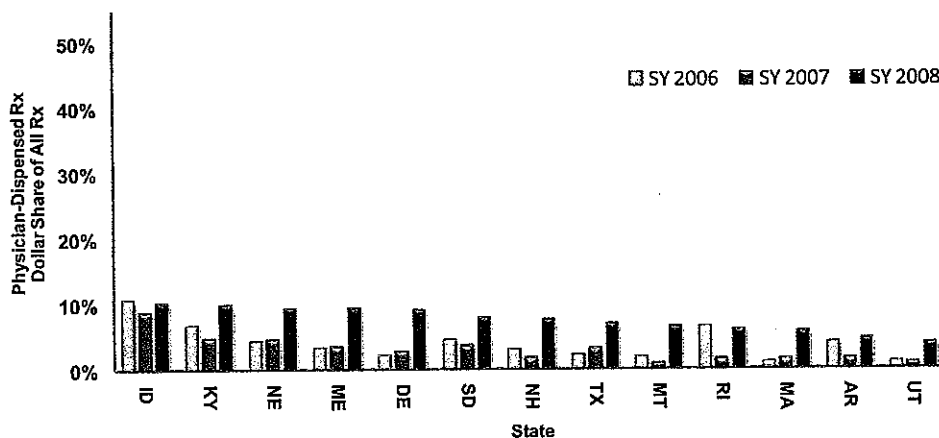


Source: Derived from sample data provided by carriers
1st through 9th relative service year
Statistics are based on at least \$130,000 paid Rx for each state service year combination
Service years are arranged in increasing order from left to right

Exhibit 5

Physician Dispensing Increased in Service Year 2008 for Most States

Lower Share States

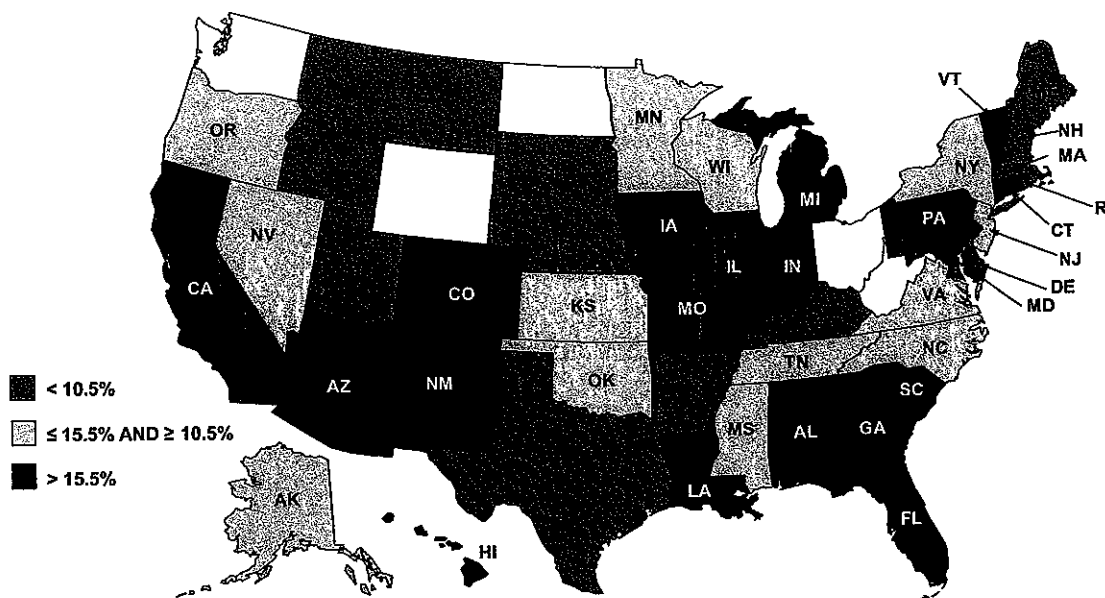


Source: Derived from sample data provided by carriers
1st through 9th relative service year
Statistics are based on at least \$130,000 paid Rx for each state service year combination
Services year are arranged in increasing order from left to right

Exhibit 6

Physician-Dispensed Drugs Paid Share of Rx Varies by State

Service Year 2008



Source: Derived from sample data provided by carriers.
1st through 9th relative service year
Statistics are based on at least \$130,000 paid Rx for each state service year combination

Exhibit 7

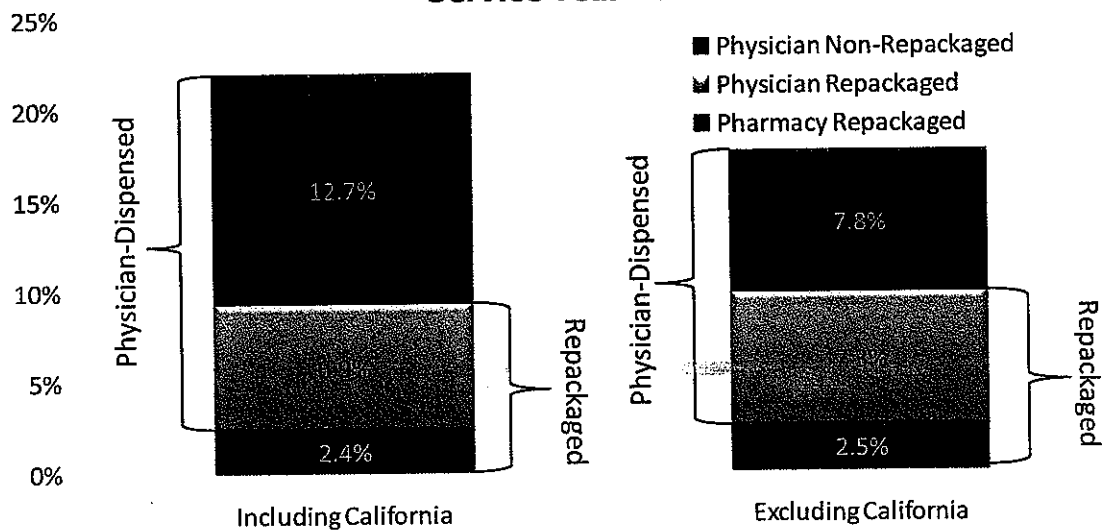
Drug Repackaging

Any Rx is uniquely identified by a National Drug Code (NDC). NDCs are specific not only to the product (including strength and formulation) and package size but also to the labeler. Labelers are manufacturers, repackagers, and distributors. WC Rx fee schedules are typically based on Average Wholesale Price (AWP). Since each NDC comes with a unique AWP, any firm that repackages a drug can set both a new NDC and a new, possibly artificially inflated, AWP. As a result, WC costs for repackaged drugs have grown out of proportion to the number of prescriptions written for repackaged drugs.

First, we look at who is dispensing repackaged drugs. Exhibit 8 shows that for Service Year 2008, nearly three-fourths of costs due to repackaged Rx were for drugs dispensed by physicians. Including California, nearly two-thirds of physician-dispensed drugs are not repackaged. Excluding California, this share drops to just over one-half. The divergence in physician practice in California from that in other states can partially be explained by a reform enacted in 2007.

Three-Fourths of Repackaged Drug Costs Come From Physicians

Shares of Total Workers Compensation Prescription Drug Costs
Service Year 2008



Source: Derived from sample data provided by carriers
Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI

Exhibit 8

On March 1, 2007, California changed its policy on Rx reimbursement. Prior to this date, prescription drugs were reimbursed either:

1. According to the Medi-Cal database (if the drug appears in that database), or
2. At a multiple of its AWP plus a dispensing fee (if the drug's NDC did not appear in the database) [1,2].

This allowed repackagers to create new NDCs that did not appear in the Medi-Cal database. These repackaged drugs would then be reimbursed based on the AWP set by the repackager.

After this change took effect, prescription drugs that do not appear in the Medi-Cal database are reimbursed either:

1. According to the Medi-Cal database's entry for the NDC from the original manufacturer (if this original NDC appears in the database), or
2. At 83% of the AWP of the least expensive therapeutically equivalent drug (if this original NDC does not appear in the database)

plus a dispensing fee [1].

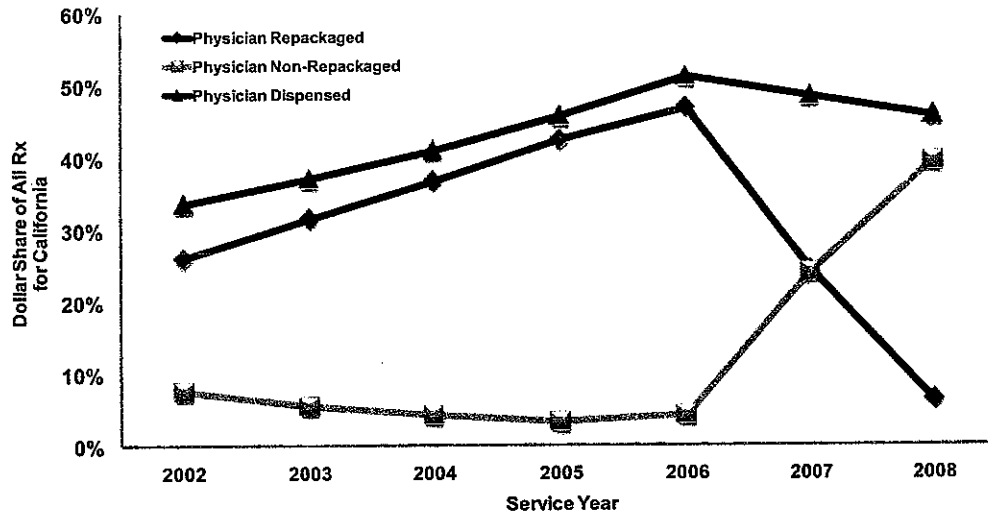
Let's look at the impact that this recent reform had on repackaged and physician-dispensed drugs in California. As displayed in Exhibit 9, the portion of California^d Rx dollars arising from physician-dispensed repackaged drugs increased dramatically from Service Year 2002 through Service Year 2006. Since the change made repackaged drugs relatively less lucrative, the portion of drug costs attributed to repackaged drugs decreased dramatically in California.

Non-repackaged physician-dispensed Rx shares were relatively small through Service Year 2006. The 2007 reform made non-repackaged drugs relatively more lucrative. As a result, the portion of drug costs attributed to non-repackaged drugs increased sharply in Service Years 2007 and 2008.

The California reform did reverse what had been a systematic increase in the portion of WC Rx costs due to all physician-dispensed drugs. However, the Service Year 2008 share is still at a higher level than was observed three years ago.

A recent CWCI research note [3] also examines WC Rx costs and use in California pre- and post-reform. This study identifies several categories of drugs that show significant Rx share increases coinciding with this reform. One such category is convenience packs, which consist of a drug and medical food compound. The share of all (both physician- and not physician-dispensed) California WC Rx costs attributed to this category rose from less than 0.1% in 2006 to more than 5% in 2008.

California Reform Reduced Physician-Dispensed Repackaged Drugs

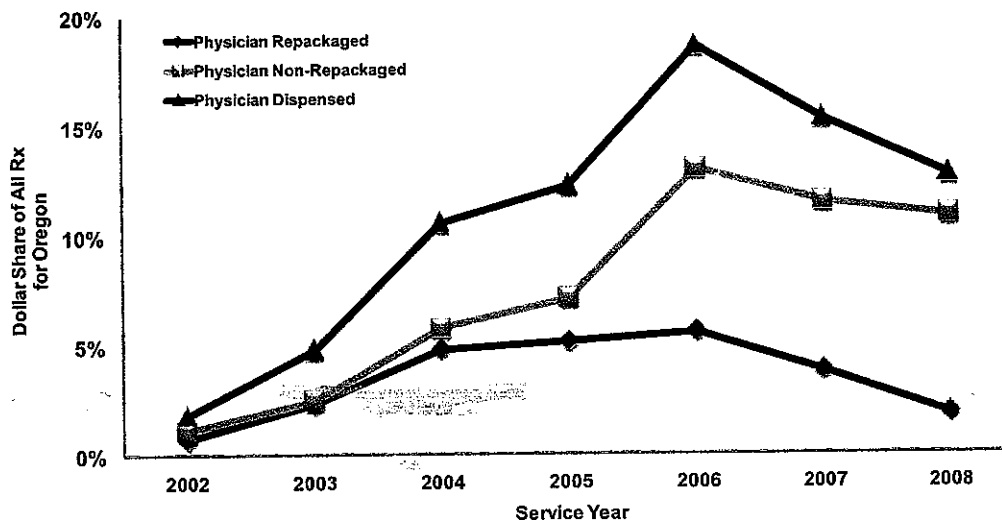


Source: Derived from sample data provided by carriers
Unidentifiable drugs are excluded
1st through 9th relative service year

Exhibit 9

Oregon also recently took action aimed at controlling costs of physician-dispensed drugs. Not only has Oregon seen a decline in the share of costs due to physician-dispensed repackaged drugs, but it has also seen a decline in the share arising from physician-dispensed non-repackaged drugs. Exhibit 10 shows the shares by service year for repackaged and non-repackaged physician-dispensed drugs in Oregon. On July 1, 2008, Oregon reduced the reimbursement rate for Rx in WC from 88.0% of average wholesale price with an \$8.70 dispensing fee to 83.5% of average wholesale price with a \$2.00 dispensing fee [4].

Oregon Reform Reduced Physician-Dispensed Drugs

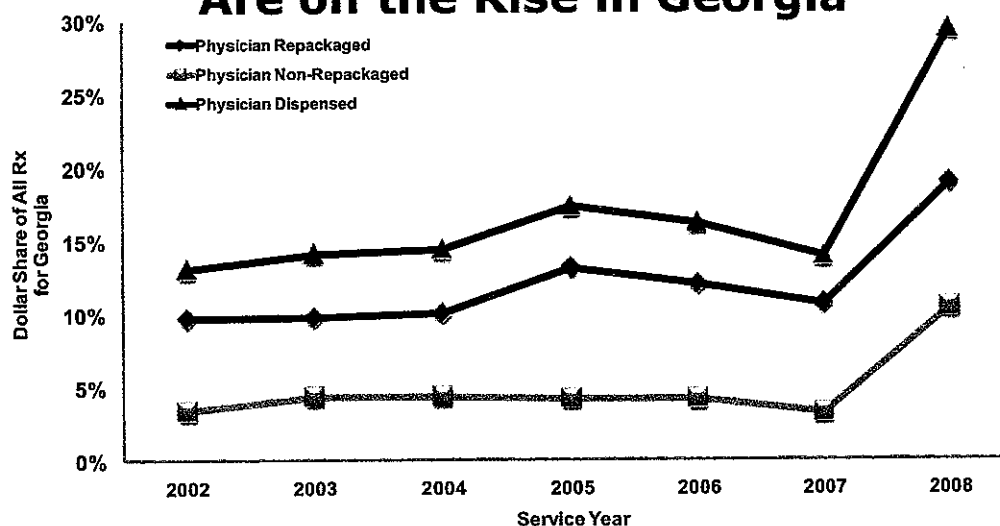


Source: Derived from sample data provided by carriers
Unidentifiable drugs are excluded
1st through 9th relative service year

Exhibit 10

California and Oregon have had higher than average shares of drug costs due to physician dispensing and have recently taken steps to reduce these costs. Georgia is more typical of the average state with both physician-dispensed repackaged and non-repackaged drugs increasing in Service Year 2008, as shown in Exhibit 11.

Physician-Dispensed Repackaged and Non-Repackaged Drugs Are on the Rise in Georgia



Source: Derived from sample data provided by carriers
Unidentifiable drugs are excluded
1st through 9th relative service year

Exhibit 11

Patterns in Physician Dispensing

We now take a focused look at physician dispensing patterns including drugs dispensed, their markup, quantity dispensed, and dispensing regularity. The nationwide average patterns are not necessarily representative of what occurs in any individual state. Because of this, some of the following analyses are presented for just Georgia or Florida. We think that this better illustrates current trends in patterns of workers compensation drug dispensing.

The most popular drugs for physician dispensing are not necessarily the most popular drugs for WC overall. For example, CARISOPRODOL, MELOXICAM, and RANITIDINE HCL were the top three physician-dispensed repackaged drugs in Florida in 2008, while LIDODERM® was highest in rank for all drugs dispensed in Florida. The rankings for other top drugs are shown in Exhibit 12.

Top Physician-Dispensed Repackaged Drugs

Florida—Service Year 2008 Ranking

Drug Name	Paid Dollars		Prescription Count	
	Physician-Dispensed Repackaged	All Drugs	Physician-Dispensed Repackaged	All Drugs
CARISOPRODOL	1	2	5	7
MELOXICAM	2	3	8	6
RANITIDINE HCL	3	9	7	13
TRAMADOL HCL	4	4	2	3
LIDODERM®	5	1	18	15
NAPROXEN	6	10	3	4
OMEPRazole	7	15	16	31
HYDROCODONE-ACETAMINOPHEN	8	7	4	1
ETODOLAC	9	20	10	17
SKELAXIN®	10	6	11	9
OXYCODONE-ACETAMINOPHEN	11	16	17	8
CYCLOBENZAPRINE HCL	12	12	6	5
CEPHALEXIN	13	26	9	12
ZOLPIDEM TARTRATE	14	19	26	26
IBUPROFEN	15	24	1	2

Source: Derived from sample data provided by carriers

Exhibit 12

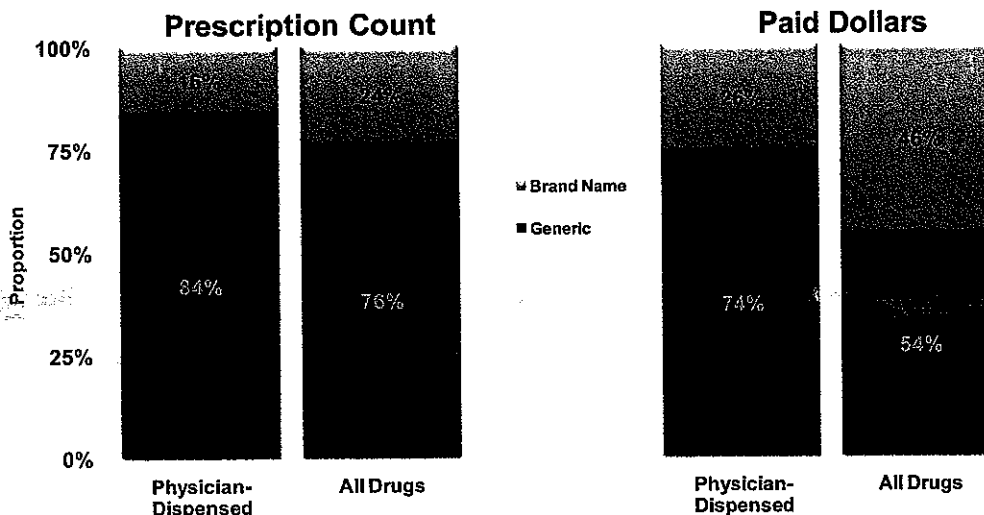
Exhibit 13 looks at the split between generic and brand-name drugs in terms of both costs and number of prescriptions for Florida Service Year 2008 for physician-dispensed drugs. It also makes comparisons between all drugs dispensed and drugs dispensed by physicians.

About three-quarters of all WC Rx are generics, while only a little over half of Rx costs are from generics. This is not surprising since brand name drugs typically cost more than their generic counterparts.

Generics account for a higher proportion of the number of prescriptions dispensed by physicians (84%) than of total prescriptions (76%). At the same time, generics account for an even higher proportion of the costs arising from prescriptions dispensed by physicians (74%) than the costs of all drugs (54%), regardless of who dispensed them.

Physicians Generally Dispense Generic Drugs

Florida—Service Year 2008



Source: Derived from sample data provided by carriers

Exhibit 13

Exhibit 14 shows average price (defined by reimbursement rates) relativities for several states. This exhibit indicates that:

- The price of physician-dispensed repackaged drugs is generally two to three times the price of comparable pharmacy-dispensed non-repackaged drugs,
- The markup for pharmacy-dispensed repackaged drugs is similar to that for physician-dispensed repackaged drugs, and
- Prices for physician-dispensed non-repackaged drugs tend to be 10% to 20% higher than pharmacy-dispensed non-repackaged drugs.

Average Prices Relative to Pharmacy-Dispensed Non-Repackaged Drugs

State	Physician-Dispensed Repackaged	Pharmacy-Dispensed Repackaged	Physician-Dispensed Non-Repackaged
FL	2.1	1.9	1.1
GA	2.0	2.0	1.1
IL	2.0	2.2	1.1
LA	2.4	2.8	1.2
MD	2.8	2.7	1.0
NC	1.8	1.8	1.0
VA	2.7	2.3	1.2
SC	1.8	2.1	1.1
WI	3.0	2.8	1.4
TX	2.1	2.0	1.1

Source: Derived from sample data provided by carriers

Exhibit 14

The markup on some repackaged drugs is much higher than the average. Exhibit 15 shows that the price for physician-dispensed repackaged CARISOPRODOL is generally more than five times the price when this drug is dispensed from a pharmacy and has not been repackaged.

Markups for Some Repackaged Drugs Are Much Higher Than Average

Unit Prices for CARISOPRODOL in Service Year 2008			
State	Physician-Dispensed Repackaged	Pharmacy-Dispensed Non-Repackaged	Ratio
FL	\$3.78	\$0.53	7.1
IL	\$3.25	\$0.53	6.1
LA	\$1.83	\$0.36	5.0
MD	\$3.06	\$0.58	5.3
NC	\$5.19	\$0.57	9.2
SC	\$2.78	\$0.42	6.6

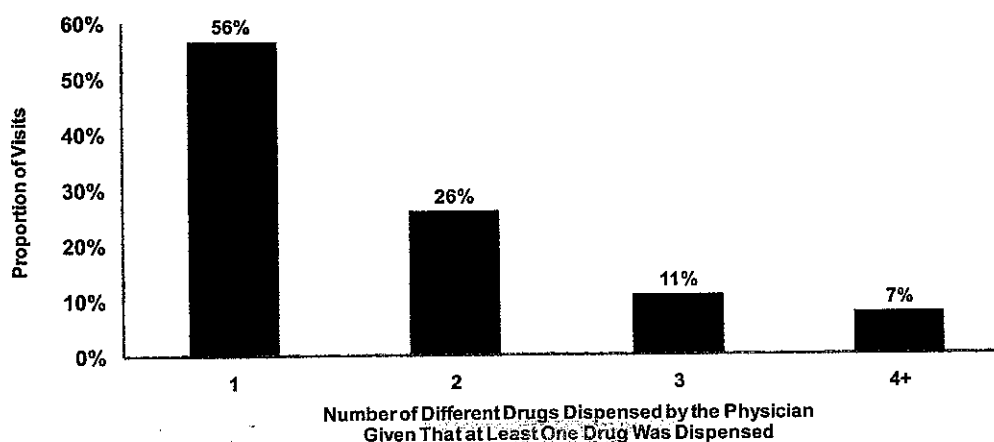
Source: Derived from sample data provided by carriers

Exhibit 15

When physicians dispense drugs, they often dispense more than one drug at the same time. A typical example is Georgia for Service Year 2008, Exhibit 16, where nearly half of the time that physicians dispensed at least one drug, they dispensed more than one.

Physicians Often Dispense Several Drugs at Once

Georgia—Service Year 2008



Source: Derived from sample data provided by carriers

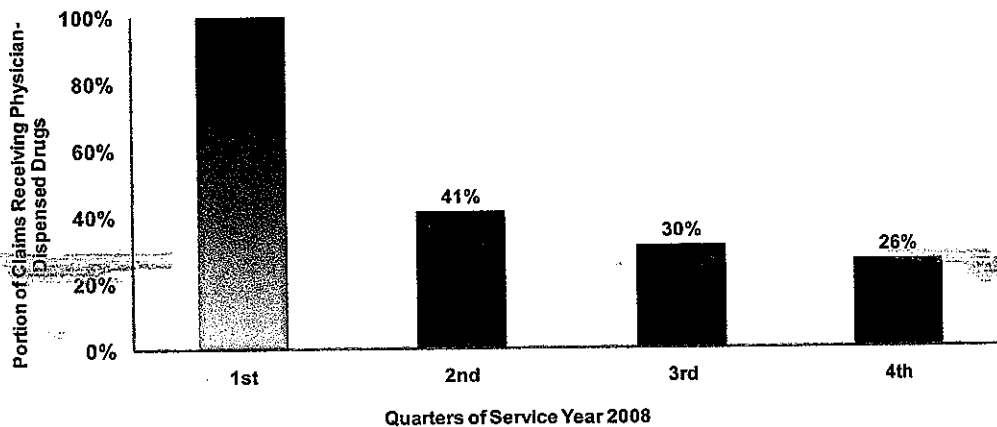
Exhibit 16

Claimants often continue to receive physician-dispensed drugs for extended periods. Exhibit 17 looks at the duration of physician dispensing. Claimants who received at least one physician-dispensed drug in the first quarter of Service Year 2008 were identified. For this same set of claimants, the number receiving at least one physician-dispensed drug in the second, third, and fourth quarters are shown.

Of those claimants who received at least one physician-dispensed drug in the first quarter, 26% also received at least one physician-dispensed drug in the fourth quarter. This provides evidence that a significant portion of physician dispensing goes well beyond the initial supply.

Physicians Frequently Dispense Drugs for Substantial Periods

Georgia—Service Year 2008
For claimants getting physician-dispensed drugs in First Quarter 2008, proportion getting physician-dispensed drugs in subsequent quarters



Source: Derived from sample data provided by carriers

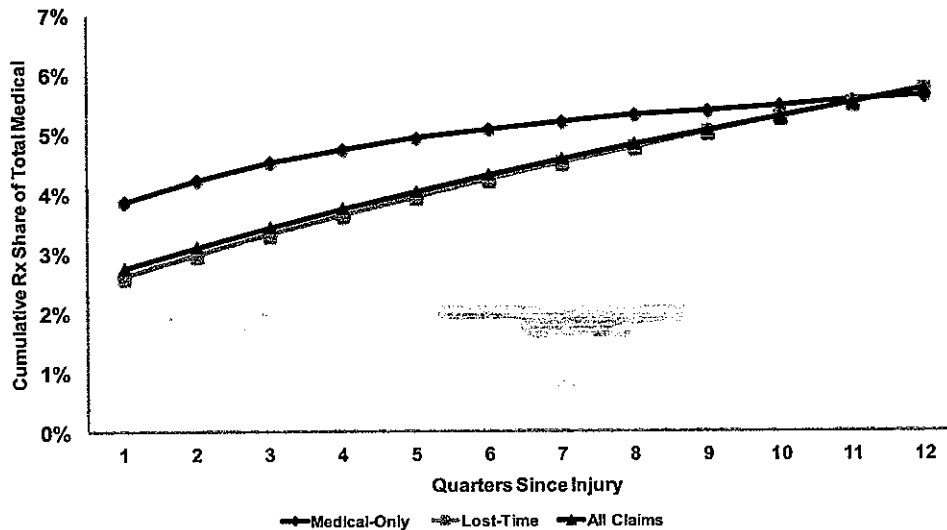
Exhibit 17

MEDICAL-ONLY VS. LOST-TIME CLAIMS

Injuries resulting in medical-only claims are generally less severe than injuries resulting in lost-time claims. Therefore, these two types of injuries might be expected to have differing shares of Rx costs relative to total medical costs. Exhibit 18 shows cumulative Rx shares of WC medical costs during the first three years following injury for medical-only and lost-time claims.

Initially, medical-only claims have a higher proportion of medical costs arising from Rx. Three years after injury, the Rx share of medical for lost-time claims has overtaken the Rx share of medical for medical-only claims. The share for all claims, lost-time plus medical-only, closely follows that of lost-time claims.

Medical-Only Claims Initially Have a Higher Rx Share of Medical Costs

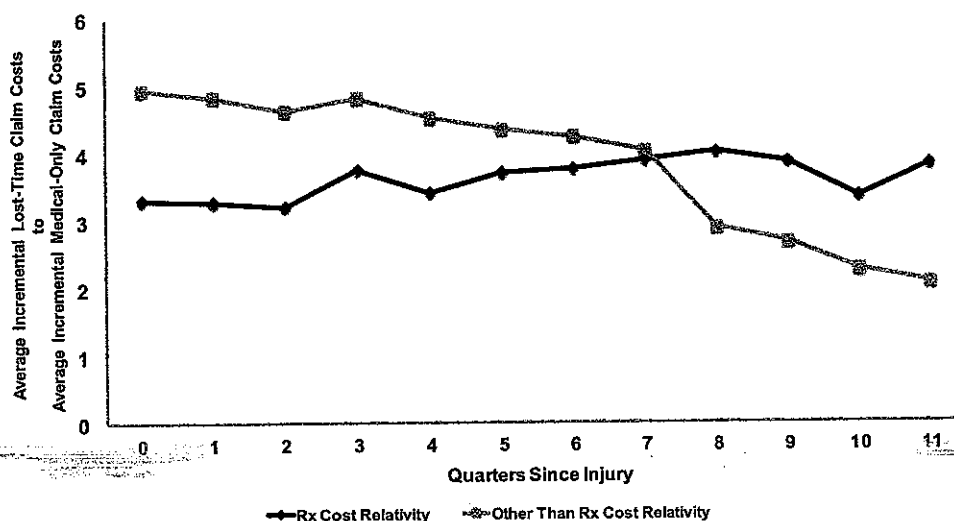


Source: Derived from sample data provided by carriers
 Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI
 "Lost-Time"—Defined as indemnity amounts of at least \$100 paid or \$1,000 incurred by the end of the 3rd Relative Service Year
 "Medical-Only"—Defined as not "Lost-Time"
 Average of Accident Years 2003 through 2005

Exhibit 18

While Exhibit 18 shows that a higher proportion of medical costs arise from Rx for medical-only claims than for lost-time claims, Exhibit 19 shows that this difference comes from higher spending on medical costs other than Rx. Lost-time claims typically spend more per medically active claim on all medical services. Initially, lost-time claims have disproportionately more medical costs arising from other than Rx. However, this relationship reverses by the second year following injury.

Other Than Rx Cost Per Lost-Time Claim Falls Relative to That of Medical-Only



Source: Derived from sample data provided by carriers
 Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI
 "Lost-Time"—Defined as indemnity amounts of at least \$100 paid or \$1,000 incurred by the end of the 3rd Relative Service Year
 "Medical-Only"—Defined as not "Lost-Time"
 Geometric average of Accident Years 2003 through 2005

Exhibit 19

Exhibit 20 allocates Rx costs into various categories of drugs for both lost-time and medical-only claims. In 2007, NCCI [5] found that the distribution of drug costs across different drug categories varies with relative service year. As such, some of the differences between the distribution for lost-time and medical-only claims can be attributed to when medical services are provided for these two different claim types—with medical-only claims typically receiving more of medical services earlier in the life of the claim.

Exhibit 20 is consistent with this postulation. For instance, in 2007, the share of Anti-Inflammatories was found to drop with relative service year. Exhibit 20 shows that medical-only claims have a relatively higher portion of Rx costs arising from this particular category. Conversely, in 2007, the share of Analgesics was found to increase with relative service year, and Exhibit 20 shows that proportionally more of Rx costs from lost-time claims arise from this category.

The Distribution of Rx Costs Across Drug Categories Differs by Claim Type

Drug Category	Lost-Time	Medical-Only
Analgesics	35%	17%
Anti-Inflammatories	13%	31%
Muscle Relaxants	11%	18%
CNS Drugs	10%	3%
Psychotherapeutic Drugs	9%	2%
Gastrointestinal	5%	3%
Skin Preps	5%	4%
Sedative/Hypnotics	4%	1%
Anti-Infectives/Miscellaneous	3%	15%
Other	5%	7%

Source: Derived from sample data provided by carriers

Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI

"Lost-Time"—Defined as indemnity amounts of at least \$100 paid or \$1,000 incurred by the end of the third Relative Service Year

"Medical-Only"—Defined as not "Lost-Time"

Service Year 2006

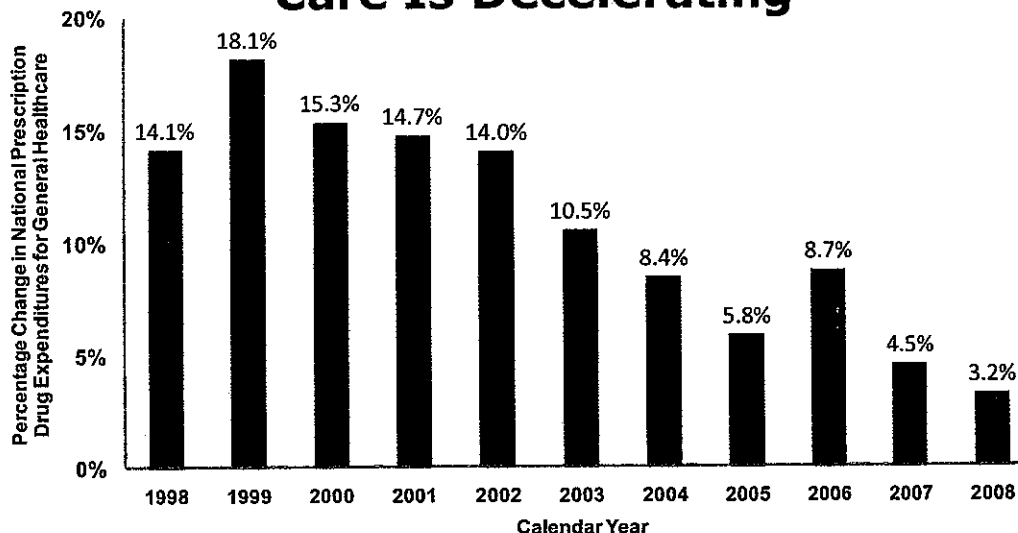
Exhibit 20

DRUG TRENDS IN GENERAL HEALTHCARE

Total US healthcare spending grew 4.4% in 2008, according to the Centers for Medicare & Medicaid Services (CMS) [6]. Compared to 6.0% growth in 2007, this shows a slowdown in the rate of growth of total US healthcare spending. At the same time, growth in total US healthcare spending on Rx dropped from a 4.5% increase in 2007 to a 3.2% increase in 2008, as shown in Exhibit 21. The CMS [7] cites several factors that contributed to the 2008 deceleration in the growth of US healthcare spending on Rx:

- Effects of the recession
- A lower than usual rate of new product introductions
- Concerns about safety

Growth in National Prescription Drug Expenditures for General Health Care Is Decelerating



Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Expenditure Data, Historical, NHE Web Tables
<http://www.cms.hhs.gov/NationalHealthExpendData/downloads/tables.pdf>

Exhibit 21

TRENDS IN THE PRESCRIPTION DRUG SHARE OF TOTAL WC MEDICAL COSTS

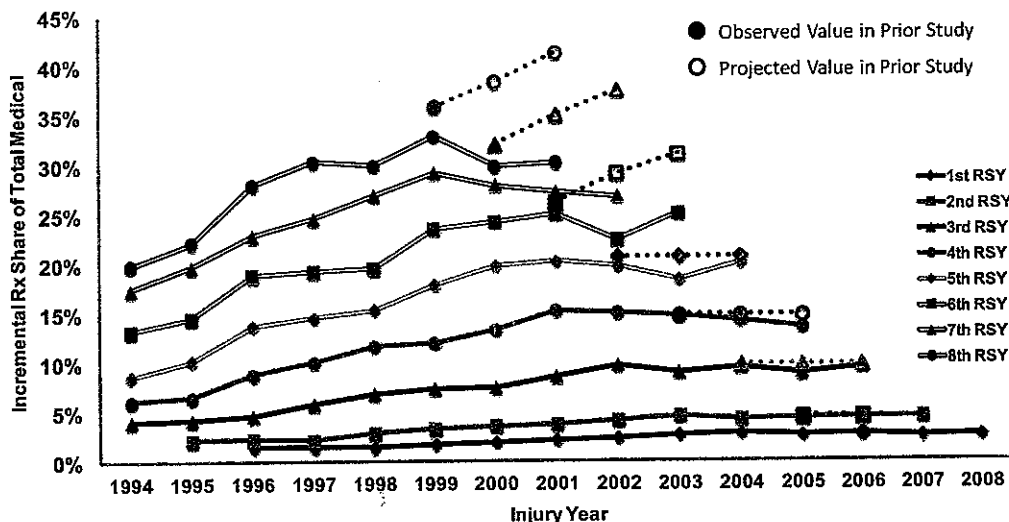
Exhibit 22 shows the incremental Rx share of total medical costs^e and illustrates two distinct patterns:

1. The incremental Rx share of total medical cost increases with relative service year^f—that is, as claims age. This is illustrated by the fact that lines representing more mature relative service years have a systematically higher Rx share of total medical.
2. As the injury year increases (moving from left to right along the x-axis), there is a general increase in the Rx share of total medical, with this increase eventually leveling out. This leveling occurs earlier for the less mature relative service years and later for more mature relative service years.

For comparison purposes, Exhibit 22 also shows select values from the 2008 update;^g both the then last observed service year and select projected values from the 2008 update are shown. Historically observed values are shown as solid markers, while projected values are shown as hollow markers. As can be seen, the 2008 update projected the 1st through the 5th relative service years to remain flat, while expecting subsequent relative service years to trend at historical rates.

Taking the 7th relative service year (red line with triangular markers), for example, one can see that the projections were in line with the observed trends as of the 2008 update. Actual emergence was much lower than projected, with an apparent flattening in the increase of the Rx share of total medical through the 8th relative service year.

Rx Share of Medical Costs Is Emerging Lower Than Previously Projected



Source: Derived from sample data provided by carriers
Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI
Prior Study: "Workers Compensation Prescription Drug Study—2008 Update" available at ncci.com

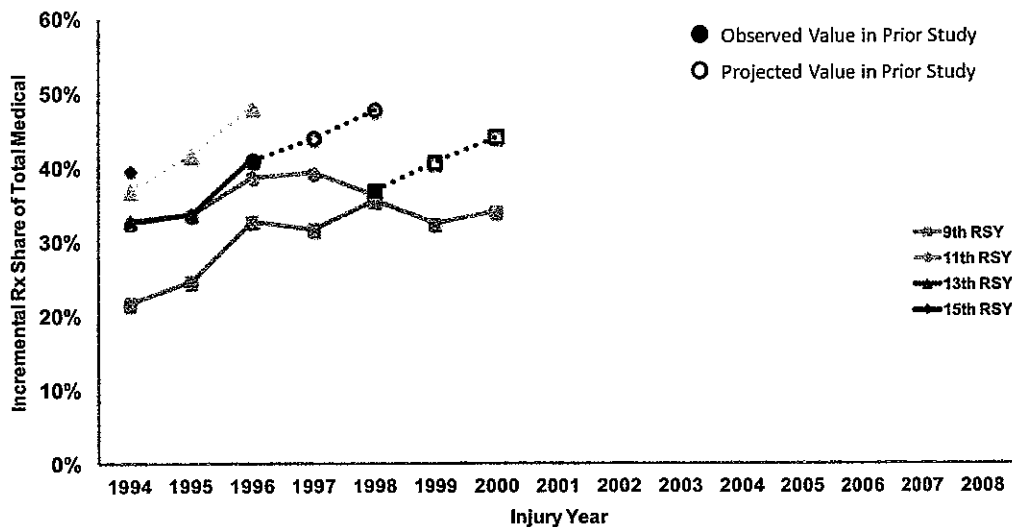
Exhibit 22

Exhibits 23 and 24 are similar to Exhibit 22 but display the 9th and subsequent relative service years. The long-tailed nature of WC exaggerates the impact of the high (currently upwards of 40%) incremental Rx share in these older relative service years and makes them of particular interest.

Additionally, Exhibits 23 and 24 show that the systematic increase in the Rx share of total medical by relative service year breaks down for these more mature relative service years. Only future updates will tell if this breakdown points toward an upper limit or is simply a current anomaly.

These exhibits do not provide sufficient evidence that the more mature relative service years have reached a turning point. As such, we assume that we will continue to see an upward trend in the older relative service years, but we have selected ultimate levels that are lower than those in the 2008 update.

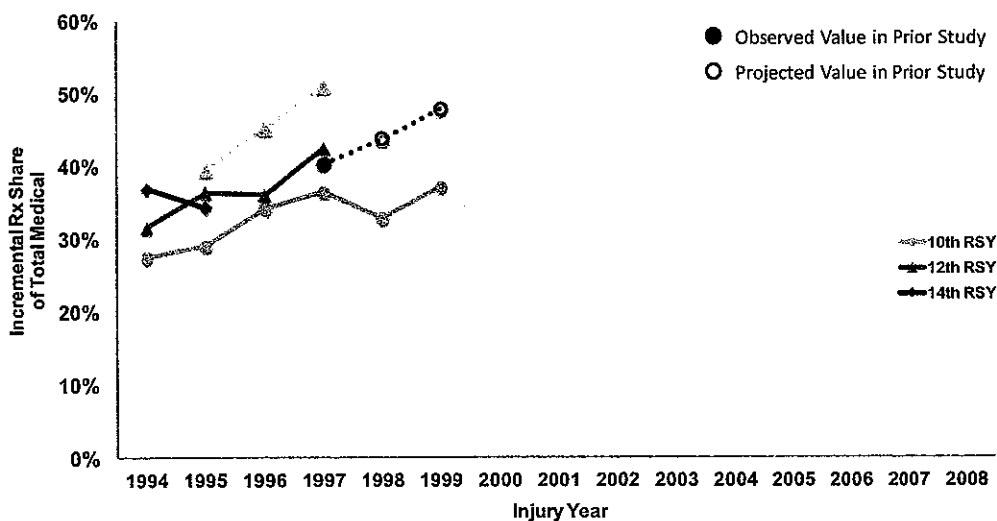
Rx Share of Medical Costs Is Emerging Lower Than Previously Projected



Source: Derived from sample data provided by carriers
Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI
Prior Study: "Workers Compensation Prescription Drug Study—2008 Update" available at ncci.com

Exhibit 23

Rx Share of Medical Costs Is Emerging Lower Than Previously Projected



Source: Derived from sample data provided by carriers
Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI
Prior Study: "Workers Compensation Prescription Drug Study—2008 Update" available at ncci.com

Exhibit 24

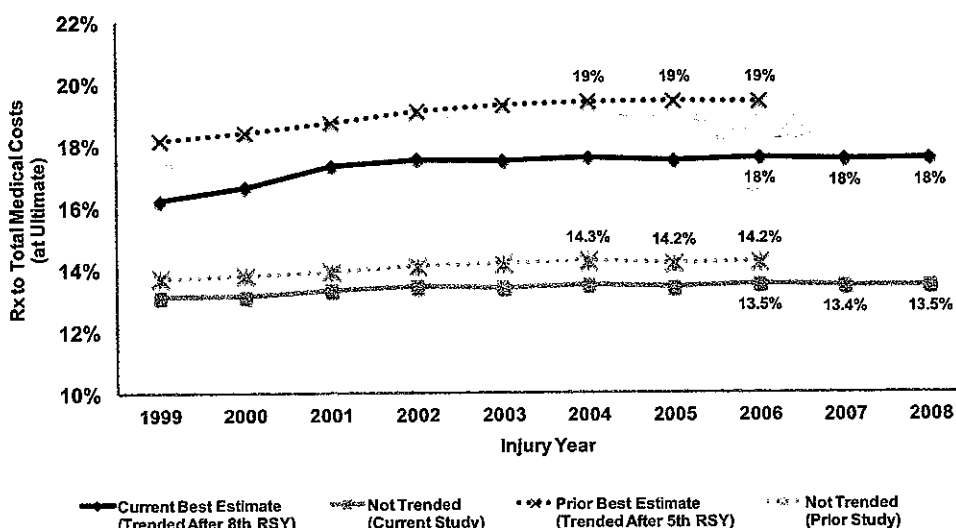
Estimating the Prescription Drug Share of Total Medical Costs—Two Scenarios

The patterns observed in Exhibits 22, 23, and 24—when combined with a total medical payout pattern—can be used to estimate the ultimate prescription drug share of medical costs. Exhibit 25 details the following two scenarios under both the current and 2008 updates:

1. *Not Trended Incremental Rx Share*—Future incremental drug shares for all relative service years are projected to remain unchanged from the last observed share (this is graphically equivalent to extending the lines in Exhibits 22, 23, and 24 with horizontal lines). As can be seen in Exhibit 25, there has been a fairly uniform drop arising in this rather mechanistic calculation from the 2008 update to current.
2. *Trended Incremental Rx Share*—As suggested by the data, the younger service years are treated differently from the older ones. Younger relative service years are treated the same as in the *Not Trended Incremental Rx Share* (that is, they are projected to remain unchanged), and older relative service years are projected to grow at historical rates.

We determine the dividing line between young and old based on the data available at the time the relevant study is conducted. Thus, for the 2008 update, we defined older as 6th and subsequent, while, for the current study, we defined older as 9th and subsequent. The lower emergence, as mentioned earlier, combined with the decision to shift the dividing line between older and younger, has also resulted in a uniform decline in this estimate from the 2008 update to current.

Rx Share of Medical Costs Is Emerging Lower Than Previously Projected



Source: Derived from sample data provided by carriers
 Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI
 Prior Study: "Workers Compensation Prescription Drug Study—2008 Update" available at ncci.com

Exhibit 25

CHANGES IN PRICE, UTILIZATION, AND COST

Exhibit 26 separates year-over-year changes in Rx cost per claim into price and utilization impacts.

In this exhibit:

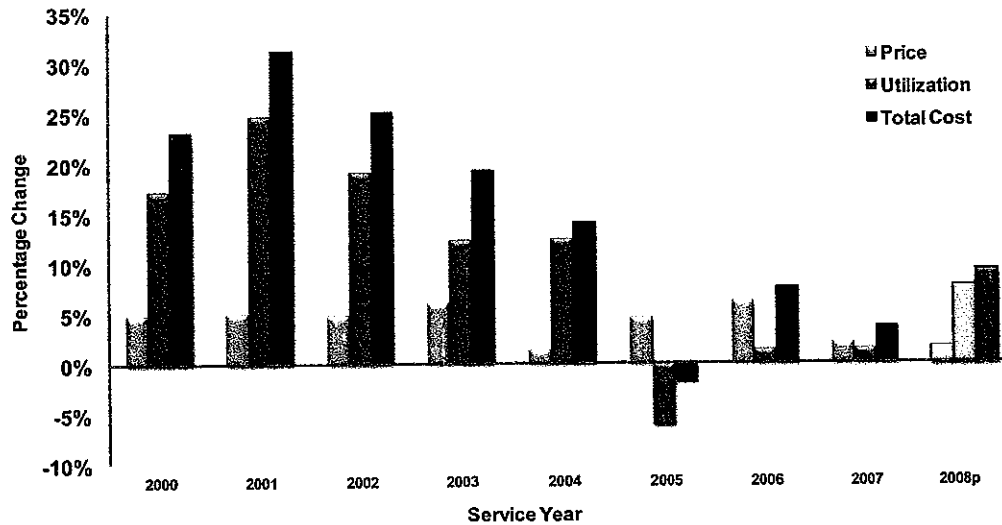
- Total cost is the per-claim total-dollar impact
- Price is the portion of total cost change that can be attributed to price changes of the drugs relative to the previous year
- Utilization change is the difference between total cost change and price change, and it includes changes in the number of prescriptions per claim and the impact of changes in the mix of drugs prescribed (i.e., from previously used drugs to newer and more costly alternatives)

Exhibit 26 shows that the total Rx cost per claim grew rapidly over the period 2000 to 2004. This high growth was driven mostly by changes in utilization and coincides with a period of expanded use of three Cox-2 inhibitors (please see our previous study [8]). This period of high growth ended abruptly in 2005 and is visible in Exhibit 26 as the only year for which utilization had a negative impact. This abrupt ending coincides with the removal of two Cox-2 inhibitors from the market, as well as a revised warning label in the third.^h

Interestingly enough, Exhibit 26 also shows 2006 as the only service year in which price, as opposed to utilization, was the major factor for the change in total cost per claim. Medicare Part D became effective on January 1, 2006, and, according to articles from *CNN Money* [9] and *The New York Times* [10], the pharmaceutical industry increased the average wholesale price of brand-name drugs by more than 3.6%. Celebrex[®] rose by more than 6.5%. Since WC Rx fee schedules are generally based on average wholesale price, such increases are directly reflected in WC paid data.

Service Year 2008 shows utilization once again as the main factor in total cost increases. Due to the reporting lag associated with the latest diagonal, these numbers are currently preliminary. However, the magnitude of these indications would suggest that the current pattern will persist through next year's revision.

Utilization Is Once Again a Contributing Factor to Cost Increases



Source: Derived from sample data provided by carriers
 Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI
 2008p = Preliminary

Exhibit 26

NOTEWORTHY CHANGES IN RANKINGS

Exhibit 27 lists the top 15 drugs for Service Year 2008 ranked by total amount paid, along with their ranks for Service Years 2007 and 2006 (see APPENDIX 1 for the top 50).

Top Drugs for Service Year 2008

Rank Based on Total Dollars Paid in WC

Drug Name	FDA Approval	Service Year		
		2008	2007	2006
OXYCONTIN®	12/95	1	6	7
HYDROCODONE W/ACETAMINOPHEN	3/85	2	1	1
LIDODERM®	3/99	3	2	2
LYRICA®	12/04	4	4	11
CELEBREX®	12/98	5	3	3
GABAPENTIN	9/03	6	5	4
SKELAXIN®	8/62	7	8	8
CYMBALTA®	8/04	8	14	20
CYCLOBENZAPRINE HCL	2/88	9	9	12
TRAMADOL HCL	6/02	10	12	13
FENTANYL	10/93	11	11	15
MELOXICAM	7/06	12	15	36
OXYCODONE HCL	11/81, 3/04	13	7	5
OMEPRAZOLE	11/01	14	20	58
CARISOPRODOL	6/79	15	10	6

Source: Derived from sample data provided by carriers

Aggregation of states where NCCI provides ratemaking services, excl. WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI

Note: Drugs listed without registered trademark symbol(®) are generics.

Source for FDA approval dates: FDA Electronic Orange Book

Exhibit 27

OXYCONTIN® takes the number one slot for Service Year 2008, after moving up from 7th place in Service Year 2006. During the same period, OXYCODONE HCL, the generic version of OXYCONTIN®, dropped in rank from 5th in Service Year 2006 to 13th by Service Year 2008. The extended release feature of OXYCONTIN® came off patent in late 2004, after which three generic drug manufacturers started producing extended-release OXYCODONE HCL. From 2004 to 2006, WC saw OXYCODONE HCL rise and OXYCONTIN® fall in paid rank.

However, the manufacturer of OXYCONTIN® was able to get the patent on its extended-release feature reinstated. The legal restrictions began taking effect at the end of 2006 and took full effect in 2009. These legal issues likely explain a majority of the aforementioned changes in rank for these two drugs.

CARISOPRODOL dropped in rank from 6th in Service Year 2006 to 15th in Service Year 2008. This drop in the rank of CARISOPRODOL, a historically popular physician-dispensed repackaged drug in California, directly coincides with an early 2007 reform in California aimed at restricting the markup on repackaged drugs in WC.

CLOSING REMARKS

This update has taken a detailed look at physician-dispensed drugs and shows that physician-dispensed drug costs rose dramatically in 2008. This study also reduces our projected ultimate Rx share of total medical by 1 percentage point and shows utilization changes as a substantial factor in the growth of WC Rx costs once again.

NCCI will continue to monitor and report on prescription drugs and other important issues that affect the WC industry.

APPENDIX 1
Top 50 Prescribed Drugs by Total Paid in WC Service Year 2008
With Historical Rankings

2008		Drug Name	Paid Rank		
Paid Rank	Paid Share		2007	2006	2005
1	5.4%	OXYCONTIN®	6	7	2
2	5.2%	HYDROCODONE W/ACETAMINOPHEN	1	1	1
3	5.1%	LIDODERM®	2	2	6
4	4.3%	LYRICA®	4	11	64
5	4.1%	CELEBREX®	3	3	5
6	3.6%	GABAPENTIN	5	4	3
7	3.0%	SKELAXIN®	8	8	7
8	2.4%	CYMBALTA®	14	20	29
9	2.2%	CYCLOBENZAPRINE HCL	9	12	12
10	2.1%	TRAMADOL HCL	12	13	13
11	2.0%	FENTANYL	11	15	18
12	1.9%	MELOXICAM	15	36	—
13	1.9%	OXYCODONE HCL	7	5	9
14	1.6%	OMEPRAZOLE	20	58	69
15	1.5%	CARISOPRODOL	10	6	4
16	1.5%	NAPROXEN	13	10	10
17	1.3%	ZOLPIDEM TARTRATE	28	—	—
18	1.3%	TOPAMAX®	21	22	21
19	1.3%	ULTRAM® ER	24	49	—
20	1.3%	OXYCODONE W/ACETAMINOPHEN	23	25	26
21	1.2%	ACTIQ®	16	9	11
22	1.1%	TIZANIDINE HCL	22	21	19
23	1.1%	KADIAN®	25	24	31
24	1.1%	IBUPROFEN	17	16	17
25	1.1%	DURAGESIC®	18	17	15
26	1.0%	AMBIEN CR®	27	38	148

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27	1.0%	PERCOCET®	26	29	35
28	1.0%	NAPROXEN SODIUM	29	46	47
29	0.9%	FENTANYL CITRATE	19	57	139
30	0.9%	FLECTOR®	—	—	—
31	0.9%	OPANA ER®	50	166	—
32	0.8%	OXYCODONE-ACETAMINOPHEN	33	34	40
33	0.8%	AVINZA®	32	26	25
34	0.8%	EFFEXOR XR®	31	30	22
35	0.7%	LUNESTA®	38	41	63
36	0.7%	NEXIUM®	35	35	41
37	0.7%	MORPHINE SULFATE	43	37	36
38	0.6%	ENDOCET®	40	32	32
39	0.6%	LOVENOX®	44	47	49
40	0.6%	CEPHALEXIN	34	23	20
41	0.6%	FENTORA®	47	105	—
42	0.6%	NABUMETONE	37	33	27
43	0.6%	PROVIGIL®	45	43	45
44	0.6%	ETODOLAC	39	27	23
45	0.6%	PROPOXYPHENE NAP-ACETAMINOPHEN	41	31	30
46	0.5%	LEXAPRO®	46	42	42
47	0.5%	AMRIX®	261	—	—
48	0.5%	DICLOFENAC SODIUM	48	39	37
49	0.5%	TRAMADOL HCL-ACETAMINOPHEN	42	28	28
50	0.5%	RANITIDINE HCL	30	14	14

APPENDIX 2

2008 Top 15 Prescription Drugs in WC

1. **OXYCONTIN®** (Ox i kon' tin) is a controlled-release narcotic painkiller prescribed for around-the-clock relief of moderate to severe pain.
2. **HYDROCODONE W/ACETAMINOPHEN** (hye droe KOE done) / (ah see ta MIH no fen)- (generic form of Vicodin®) is a narcotic analgesic used to relieve moderate to severe pain.
3. **LIDODERM®** (LYE doe derm) is used to relieve the pain associated with sunburn; insect bites; poison ivy; poison oak; poison sumac; minor cuts, scratches, and burns; sores in the mouth; dental procedures; hemorrhoids; and shingles (herpes infection).
4. **LYRICA®** (LEER i kah) is an anticonvulsant and neuropathic pain agent used for treating fibromyalgia or nerve pain caused by certain conditions (e.g., shingles, diabetic nerve problems). It is also used in combination with other medicines to treat certain types of seizures.
5. **CELEBREX®** (SELL eh breks) is a nonsteroidal anti-inflammatory drug (NSAID) used to treat pain or inflammation caused by many conditions such as arthritis, ankylosing spondylitis, and menstrual pain. It is also used in the treatment of hereditary polyps in the colon.
6. **GABAPENTIN** (ga bah PEN tin) (generic form of Neurontin®, approved in 2003) is used in the treatment of some types of seizures and the management of postherpetic neuralgia (nerve pain caused by the herpes virus or shingles).
7. **SKELAXIN®** (skell AX in) is a muscle relaxant used to treat skeletal muscle conditions such as pain or injury.
8. **CYMBALTA®** is used to treat major depression—a disorder marked by continuing, serious, and overwhelming feelings of depression that interfere with daily functioning. It is used to treat diabetic peripheral neuropathy, a painful nerve disorder associated with diabetes that affects the hands, legs, and feet.
9. **CYCLOBENZAPRINE HCL** (syeh kloe BEN za preen) / (HYE droe KLOR ide) (generic form of Flexeril®) is a muscle relaxant used to treat skeletal muscle conditions such as muscle spasms resulting from injuries such as sprains, strains, or pulls.
10. **TRAMADOL HCL** (TRA ma dol) / (HYE droe KLOR ide) (generic form of Ultram®) is prescribed to relieve moderate to moderately severe pain.
11. **FENTANYL** (FEN ta nil) (generic form of Duragesic®) prescribed for chronic pain when short-acting narcotics and other types of painkillers fail to provide relief.
12. **MELOXICAM** (mell ox ih kam) (generic form of Mobic®) is used to relieve the pain and stiffness of osteoarthritis and rheumatoid arthritis.
13. **OXYCODONE HCL** (ox i KOE done) / (HYE droe KLOR ide) (generic form of Roxicodone® or OxyContin® if extended release) is a narcotic pain reliever used to treat moderate to severe pain. The extended-release form of this medication is for around-the-clock treatment of pain.
14. **OMEPRAZOLE** (oh MEP ra zole) (generic form of Prilosec®) is prescribed for the short-term treatment (four to eight weeks) of the following: stomach ulcer, duodenal ulcer (near the exit of the stomach), erosive esophagitis (inflammation of the esophagus), and heartburn and other symptoms of gastroesophageal reflux disease (also known as GERD, which occurs when stomach acid backs up into the tube connecting the throat to the stomach).
15. **CARISOPRODOL** (kar eye soe PROE dole) (generic form of Soma®) is a muscle relaxant used to treat injuries and other painful musculoskeletal conditions.

Source: Drugs.com

Note: These drugs might also be used for purposes other than those listed.

NOTES

- ^a WC looks at costs by injury year (the year of injury) because insurance coverage continues (potentially for many years) following the date of injury in WC. This "long-tail" feature of WC is distinct from most other lines of insurance coverage, which are usually confined to the 12-month policy year for which premium is charged. As a result, other types of insurance coverage are much more sensitive to short-term increases in costs, while WC is subject to substantial long-term cost pressures.

The "long-tail" nature of WC is critical and underscores the need for further research. Substantial quantities of medical services are routinely delivered for many years following the occurrence of a WC claim. As a result, estimates of the annual costs and reserves on serious claims must fully account for the compounding effect of medical inflation. For example, at an annual medical cost inflation of 10%, the annual cost of a fixed regimen of medical treatment will be nearly double the first year's cost in the eighth year following the claim.

- ^b In order for transactions to be present in our data, they must be reported and entered into carriers' systems. For instance, if a claimant received a service on December 29, 2001, it's possible that the carrier did not have this transaction entered into their system until January 12, 2002. As such, historical data is ever-changing, and we must examine it "evaluated as of" a certain date.
- ^c A service year consists of all services in a calendar year aggregated across applicable (and available) injury years. For instance, if the data consists of all injuries that occurred in 1994 through 2007 (or injury years 1994 through 2007), then Service Year 2000 would consist of all payments made in the year 2000 for those injuries that occurred in the years 1994 through 2000.
- ^d Neither Exhibit 9 nor any other exhibits in this study use data from the California state fund. It is possible that private carrier and state fund data exhibit different patterns.
- ^e The incremental Rx share of total medical costs is defined as WC Rx costs within (and only within) a given relative service year and service year combination divided by WC medical costs within (and only within) the same relative service year and service year combination.
- ^f The first relative service year consists of all services in the calendar year of the injury. The second relative service year consists of all of the services provided in the calendar year following the year of injury, and so on. For example, if an injury occurs in November 1999, any treatments and prescriptions filled in 1999 are part of the first relative service year, and any treatments in 2000 would be in the second relative service year. Treatments in 2001 would be part of the third relative service year, and so on.
- ^g There are two significant reasons why observed values from the 2008 update can differ from this current update.
1. To be included in any study, a claim must pass some validity tests. We have collected two additional years' worth of data for all claims, and it is possible that a claim that passed these tests for the 2008 update no longer passes. The converse can also be true.
 2. Exhibit 22 is organized according to when services are performed. As such, services reported more than six months after performed will, upon being reported, cause a restatement of historically observed values. Furthermore, there seems to be a material difference in the reporting lag between Rx and other than Rx dollars paid, with a seemingly higher percentage of Rx dollars being reported with this six-month window. All else being equal, this should lead to a slight downward restatement of the historically observed incremental Rx share of total medical cost from one study to the next.
- ^h VIOXX® and BEXTRA® were removed from the market in late 2004 and early 2005, respectively. CELEBREX® contains expanded warning information on its label since early 2005.

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Tab E

SOUTH CAROLINA REPACKAGED DRUG ANALYSIS

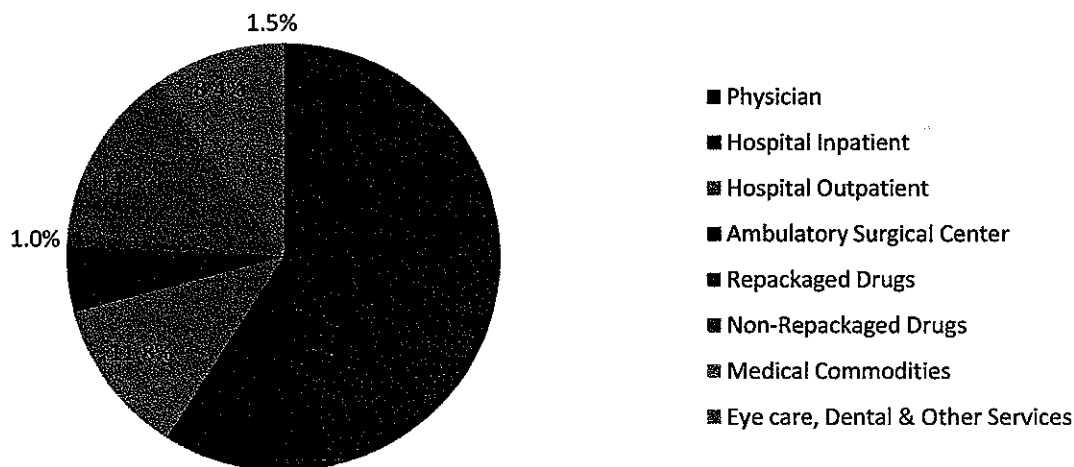
NCCI has completed a preliminary analysis of drug costs in South Carolina. This analysis includes overall cost distributions of repackaged and non-repackaged drugs as well as cost differences between repackaged drugs and non-repackaged drugs.

Since there is no proposal that currently accompanies this analysis, NCCI may supplement this document with a more formal analysis at a later date, if and when such a proposal is made.

NCCI Commentary

Based on South Carolina workers compensation data licensed to NCCI for service year 2008, total prescription drugs make up 14.3%¹ of total workers compensation medical costs in South Carolina. This is composed of repackaged drugs and non-repackaged drugs which make up 1.0%¹ and 13.3%¹ of workers compensation medical costs in South Carolina, respectively. The South Carolina medical cost distribution by service category is as follows:

South Carolina Medical Cost Distribution by Category for Service Year 2008



¹ Based on South Carolina workers compensation data licensed to NCCI for service year 2008.

SOUTH CAROLINA REPACKAGED DRUG ANALYSIS

Medical costs are estimated to represent 43.2%² of overall benefit costs in South Carolina. Therefore, repackaged drugs represent 0.4% (\$ 4.0M) = $(1.0\%^1 \times 43.2\%^2)$ of overall workers compensation costs in South Carolina.

Based on South Carolina workers compensation data licensed to NCCI for service year 2008, NCCI observes that the average cost per unit for repackaged drugs is approximately 221% of the average cost per unit for equivalent drugs that are not repackaged.

As mentioned above, once a formal proposal is made or statutory language drafted, NCCI may supplement this analysis at a later date.

¹ Based on South Carolina workers compensation data licensed to NCCI for service year 2008

² Based on Policy Years 2007 and 2008 Financial Call data projected to 7/1/2011. This estimate is subject to change depending the actual effective date of the changes.

Tab

F

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Drug Repackaging 101

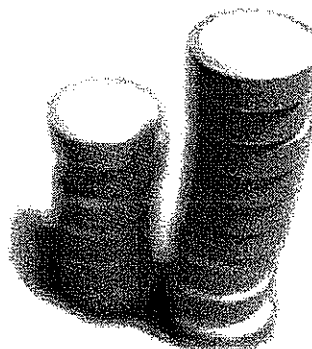
Repackaging drugs works like this:

Every medication has a special identification number attached by the manufacturer. That number is used to identify the medication for cost and billing purposes by Medicare and Medi-Cal and other payers.

Medications are produced in bulk by manufacturers and repackaged for individual use by doctors' offices. Repackaging changes or eliminates the drug identification number, thus taking it off the fee schedule.

According to preliminary research done by CWCI and the Commission on Health and Safety and Workers' Compensation, some doctors charge between 400 and 700 percent more than what's charged at a pharmacy for the same medication.

CWCI research indicates that the repackaged drug Zantac goes for \$255.56 for 150 mg. pills. At a pharmacy, the retail cost is \$25.90. At Drugstore.com, the cost is \$19.71. Repackaged pricing for naproxen (Aleve) and ibuprofen (Advil) were less than \$255 but still more than the alternatives.



Zantac being the most prescribed and most expensive lends credence to the argument that doctors are dispensing medications that give them the most profit as opposed to those that truly help injured workers.

Repackaging is being marketed and encouraged by some companies as a way for physicians to make extra money. One such outfit, called Physicians Total Care (PTC), provides dispensing tools and discusses advantages of dispensing and how much money can be made, especially in workers' comp.

According to the web site, doctors can profit between \$4 and \$6 per prescription. "It will be on the low side for managed care patients and on the high end for cash-and-carry and workers' compensation patients," the web site reads. According to articles posted on its web site, doctors who use the PTC system to dispense drugs can make between \$20,000 and \$90,000 per year.

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Return to : New Fee Schedule Puts Lid on Repackaged Drug Prices

Mississippi -- New Fee Schedule Puts Lid on Repackaged Drug Prices: Top [06/23/10]

By Michael Whiteley, Eastern Bureau Chief

Mississippi has become at least the third state in the nation to impose a specific price cap on repackaged drugs in what regulators say is a growing move to control costs when workers' compensation physicians sell their own pills.

✓ The Mississippi Workers' Compensation Commission (WCC) approved a 2010 Medical Fee Schedule that, effective July 1, will update reimbursements to later versions of the American Medical Association's current procedural terminology (CPT) codes, revise the utilization review process and revamp the pricing system for ambulatory surgical centers.

In a provision that drew little public comment before the commission granted approval on June 1, the schedule also caps prices for repackaged and compounded drugs.

✓ The schedule caps the price for a repackaged or physician-dispensed medication at the average wholesale price (AWP) assigned to the National Drug Code used by other original manufacturers — not secondary codes assigned by drug repackaging houses before they sell the drugs to Mississippi doctors.

The schedule allows a \$5 dispensing fee for both pharmacies and the doctors who dispense prescriptions to injured workers.

Workers' Compensation Commission Senior Attorney Scott Clark said Tuesday that both state regulators and private insurers are beginning to push for price caps on repackaged drugs across the nation. The push has picked up momentum from studies that warn doctors are selling painkillers and muscle relaxers in their offices for two and three times what pharmacies charge.

The Workers Compensation Research Institute warned this spring that higher prices in doctors' offices have driven the price of drugs in the Florida workers' compensation system to 38% above the median in a 16-state study.

Clark said capping prices at the rates already included in state fee schedules is a trend that could cause repackaging houses to change their business models or go out of business.

"I'm assuming that as more states get more aggressive about this, the more quickly you'll see the entities going out of business," he said. "It seems like the trend is certainly toward regulating the prices of these medications."

Self-Insured Solutions, a Mississippi-based utilization review company that provided the commission with price information, warned physician-dispensing had significantly boosted prices for Lyrica, a diabetes pain drug, and Duragesic, a pain patch.

The company said injured workers were paying pharmacies an average of \$290.01 a month for 150 milligrams of Lyrica — below the state allowance of \$313.43. The company said doctors were collecting an average \$736 per month for the same amount of the drug.

California revised its fee schedule in 2007 to require that physician-dispensed drugs and pre-packaged medications be reimbursed at levels included in the California fee schedule.

Pharmacy cost manager PMSI said a recent study showed that the share of repackaged drugs in California's workers' compensation system has dropped from 54.7% prior to the reform to 10.5% of total prescriptions and 8.1% of total costs after 2007.

An Arizona Industrial Commission fee schedule revised last September also requires that drugs be billed at AWP levels regardless of where the prescriptions were dispensed. The Industrial Commission allows a \$7 dispensing fee.

Florida Gov. Charlie Crist last month vetoed legislation that would have capped the reimbursement level for physician-dispensed drugs in the workers' compensation system at the per-pill price set for the original

manufacturer of the drug. The Florida Medical Society and the Florida Orthopaedic Society complained the price cap was slipped into the reform bill the night before the 2010 session ended.

Steve Simmons, government affairs director for the Mississippi State Medical Association, said his group backed the new fee schedule. He said it deferred specific review to the Mississippi Medical Group Management Association, which did not return calls for comment this week.

"They were concerned about (the fee cap) of course," Simmons said. "But, in general, the fee schedule changes were pretty routine. There weren't that many changes."

Trey Gillespie, senior workers' compensation director for the Property and Casualty Insurers Association of America (PCI), said his group backs capping prices on repackaging drugs.

"It was certainly a proactive move on their part, and it was believed to be a growing problem in Mississippi," he said. "But it had not reached the levels it had in Florida, California and Louisiana."

Gillespie said Louisiana has not moved to impose a similar cap. The states of Massachusetts and New York ban doctors from dispensing medications.

Gillespie said Texas limits physician-dispensing to counties with less than 5,000 residents. He said at present that limits the exception to Brewster County in South Texas.

Clark said the primary focus of the fee-schedule overhaul in Mississippi was updating CPT codes used in the system and scrapping the system by which ambulatory surgical centers are paid for outpatient services.

WCC adopted the current ambulatory payment classification system developed by the Centers for Medicare and Medicaid Services.

Other changes included:

- Boosting the unit price for anesthesia services from \$42 to \$45.
- Limiting medical impairment ratings to medical doctors with their fees capped at \$250 for rating evaluation.
- Dropping the time a utilization reviewer is allowed to process a standard appeal from 30 days to 21 days.

Clark said the changes are intended to be budget neutral.

"The biggest motivating factor in doing this update was to update our outpatient reimbursement methodology," he said.

An executive summary of the fee schedule and the final draft of the full schedule are here:
<http://www.mwcc.state.ms.us/services/feeschedule.asp>.

Return to : New Fee Schedule Puts Lid on Repackaged Drug Prices

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PAYMENT PER CLAIM FOR DRUGS PRESCRIBED TO FLORIDA INJURED WORKERS WAS NEARLY 40 PERCENT HIGHER THAN STUDY MEDIAN, SAYS WCRI STUDY

CAMBRIDGE, MA, April 14, 2010 – The payment per claim for prescription drugs used to treat injured workers in Florida was nearly 40 percent higher than in most study states, according to a new study by the Workers Compensation Research Institute (WCRI).

The 16-state study by the Cambridge, MA-based WCRI found that the average payment per claim for prescription drugs in Florida's workers' compensation system was \$565—38 percent higher than the median of the study states.

The main reason for the higher prescription costs in Florida was that some physicians wrote prescriptions and dispensed the prescribed medications directly to their patients. When physicians dispensed prescription drugs, they often were paid much more than pharmacies for the same prescription.

The WCRI study, *Prescription Benchmarks for Florida*, found that some Florida physicians wrote prescriptions more often for certain drugs that were especially profitable. For example, Carisoprodol (Soma®, a muscle relaxant) was prescribed for 11 percent of the Florida injured workers with prescriptions, compared to 2 to 4 percent in most other study states.

Financial incentives may help explain more frequent prescription of the drug, as the study suggested. The price per pill paid to Florida physician dispensers for Carisoprodol was 4 times higher than if the same prescription was filled at pharmacies in the state.

The study reported that the average number of prescriptions per claim in Florida was 17 percent higher than in the median state. Similar results can be seen in the average number of pills per claim.

WCRI also noted that prices paid to Florida pharmacies were at the median of the 16 study states, due to Florida's typical pharmacy fee schedule, which is set at the level of the Average Wholesale Price.

The WCRI study is the first in an annual series that benchmarks the cost, price and utilization of pharmaceuticals in workers' compensation.

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membership organization conducting public policy research on workers' compensation, healthcare and disability issues. Its members include employers, insurers, insurance regulators and state administrative agencies in the U.S., Canada, Australia and New Zealand as well as several state labor organizations.

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Return to : WCRI: Docs' Drug Sales Boosting Prescription Costs

Florida -- WCRI: Docs' Drug Sales Boosting Prescription Costs: Top [04/19/10]

By Michael Whiteley, Eastern Bureau Chief

Florida doctors who are making direct sales of high-priced muscle relaxers and painkillers to injured workers have helped push drug costs to 38% above the median in a 16-state study, the Workers Compensation Research Institute (WCRI) reported.

The Cambridge, Mass. research group last Wednesday issued another study in its "Benchmark" series of studies, this one analyzing prescription costs for Florida workplace injuries that occurred between October 2005 and September 2006.

It concluded that Florida's "dispensing" physicians are charging two and three times as much as pharmacies for a popular muscle relaxer and painkillers. The study captures payments for all drugs associated with the selected claims through March 31, 2007.

The study concluded that half of all injured workers in Florida with injuries resulting in more than seven days of lost work time received medications directly from a physician. Physicians dispensed 30% of all drugs prescribed for injured workers in Florida during the period.

The average payment for prescriptions for an injured workers' claim during the period was \$565 ~~38%~~ above the median. But the study found that drugs sold at pharmacies were in line with the 16-state median - about \$404.

The study found Florida doctors selling the drug Carisoprodol, a muscle relaxer sold under the brand name Soma, at nearly four times the price per pill as that charged by pharmacies.

"When physicians dispense, they often are paid much more than pharmacies for the same prescription," the study concluded. "Some physicians wrote prescriptions for certain drugs that were especially profitable, but not prescribed as often by physicians in other states."

The report comes at a time when attorneys, self-insurers and others are debating potential legislative approaches to address the practice of "repackaging" - a practice in which doctors buy medications in bulk from prescription warehouses and resell them in smaller packages to patients at a substantial profit.

But the state's courts haven't yet weighed in on whether employers and insurers are required to pay the high prices. In 2009, Judge of Compensation Claims Diane B. Beck ruled that the Diocese of Venice Epiphany Cathedral Catholic Church did not have to reimburse an injured worker for \$116 he spent on Vicodin, Soma and Prilosec dispensed by a local pain-management doctor.

In a decision that has been appealed to the 1st District Court of Appeal, Beck ruled that neither Dr. Steven Chun nor the wholesaler, Rx Consulting, is recognized as a pharmacist or pharmacy in Florida.

The Florida workers' compensation system does not have a pharmacy fee schedule. But Florida Statute 440.13 limits prescription costs to the average wholesale price plus a \$4.18 dispensing fee. It also allows physicians to be licensed as "dispensing physicians" to provide prescriptions "during their normal course of business."

The practice has gotten the attention of state lawmakers. Tanner Holloman, director of the Florida Division of Workers' Compensation (DWC) told WorkCompCentral that his agency got inquiries last week from

lawmakers gathering information on the repackaging of drugs in the workers' compensation system.

He said DWC isn't aware of pending legislation on the subject.

"With medical costs on the rise almost to the point that they're out of control, there's a feeling in the Legislature that they're out of check and out of balance," Holloman said. "Our legislative leaders would like to address that. We are part of that in terms of monitoring and cost-containment."

The Florida Association of Self Insureds (FASI) is preparing to take up the issue at its annual conference in July, said FASI President Gail Shuffler.

Shuffler, who heads risk management for the City of Tallahassee, said the city is currently investigating a local doctor who is selling pain patches to injured city workers at twice the price charged by the local Walgreens and CVS.

She wants FASI to recommend legislation to address pricing differences among the state's doctors and pharmacies.

"I want us to take a position and perhaps do something to address this," Shuffler said. "Speaking personally and not for FASI, this appears to be a conflict of interest, and it's sort of a captive market."

WCRI studied drug prices in California, Florida, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Michigan, New Jersey, New York, Louisiana, North Carolina, Pennsylvania, Tennessee, Texas and Wisconsin.

It concluded that California and Florida had the highest rate of lost-time claims involving at least one prescription. California and Florida tied at 80% -- just ahead of Tennessee.

But WCRI noted that California passed legislation in 2007 that equalizes drug prices charged by doctors and pharmacies. It noted that the California figures in its analysis reflect prices charged before and after the law took effect.

The study breaks down overall charges and the prices charged per pill.

It noted that doctors collected an average of 96 cents per pill for the painkiller Vicodin while Florida pharmacies collected 46 cents. They charged an average of \$2.22 per pill for the painkiller Percocet, while pharmacies collected 85 cents -- a 155% difference.

Soma, the muscle relaxer, represented the biggest difference in the study. Workers who bought the drug from Florida doctors paid an average of \$3.05 per pill versus the 62-cent average for pharmacies -- a difference of 392%.

The study also found that Florida doctors wrote more prescriptions per claim for more pills than the median.

Among the most common drugs prescribed for Florida workers were Soma and Zantac, a drug used to treat acid reflux disease. Physicians collected an average \$427 per claim for the prescriptions they filled themselves, according to the institute.

Of injured workers with prescriptions, Soma was prescribed 11% of the time in Florida, compared to between 2% and 4% in most of the other study states, WCRI reported.

Erin VanSickle, a spokeswoman for the Florida Medical Association, said Friday she was seeking a comment from the group. She had not responded by late Friday night.

But Michael A. Jackson, executive vice president and chief executive officer of the Florida Pharmacy Association, said the system needs to be reviewed by carriers and the DWC.

"There's no regulation that prohibits a practitioner from dispensing medication to a patient in Florida," Jackson said. "The problem is that the workers' compensation carriers are having to pay for this."

The Florida Insurance Council and the American Insurance Association did not have comments on the report Friday.

An abstract, press release and links to the report are here: http://www.wcrinet.org/result/rx_bnchmk_1_FL_result.html.

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